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HUNDRED-TWENTY-SEVENTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED 13TH SEPTEMBER, 1941.

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POLICY

1. Publicize Roosevelt's speech as firm reply to Nazi challenge. As with Japan, decision for war with U.S.A. and its consequences is left with Germany.

2. In Russia gigantic battles for Leningrad and Odessa test full German strength, find Russian morale unimpaired. Stress Russian counter-attacks in centre as part of successful defensive operations and avoid spectacular forecasts. Churchill's statement of British fighters in Russia shows extensive Anglo-Russian co-operation.

3. In Iran compare leniency of Allied garrison (not occupation) terms with generous treatment of Iraq and contrast with German behaviour in Europe. Continuance of Allied leniency will depend on loyal co-operation by Iranian Government. All news of arrested Fifth-Columnists should be given full publicity.

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Balance sheet for the 5th week is attached.

....

I. THE UNITED STATES.

PRESIDENT Roosevelt's speech.

President Roosevelt's broadcast of Thursday night (Sept. 11) bears the same relation to his famous broadcast of May last, as the decrees of a court to the pleadings of an advocate. Then, he was building up a case; now, he is giving orders for action.

(a) Piracy and planned aggression.

Contrary to much speculation, the speech dealt entirely with German action against the American ships *Greer* and the *Steel Seafarer* and the Panama ship *Sessa*. He clearly considered the attack on the first of these the most serious, describing it as a "piratical attack upon one of our ships." While the President disclaimed any desire for a shooting war, and said that it would be "unworthy" of the American nation to take drastic action upon a single isolated incident, he declared that it would be "inexcusable folly" not to see how these incidents fitted into the whole pattern of German action in recent months and were "part of a general plan" which aimed at the domination of the Western Hemisphere by force of arms. The American nation was not "hysterical", but it preferred to look aggression in the eye, and not to wait, as many European nations did, until it had seized its victim by the throat.

(b) The Freedom of the Seas.

From this beginning the President elaborated the Nazi menace to the traditional and precious doctrine of the Freedom of the Seas, which was also one of the main themes of his May speech. America was not prepared to send her ships across the seas only "by the condescending grace of a foreign and tyrannical power," acting in defiance of all the laws of the sea.

(c) "One by One."

This attack on the freedom of the seas was part of a deliberate plan to undermine American power, on the plan already explained by Mr. Churchill of "one by one". Already, in America itself, there had been "conspiracy on conspiracy." In South America

subversive activities had been unearthed in Bolivia, Argentina and in Colombia, where, within easy range of the Panama Canal, a whole series of secret landing grounds for aircraft had been discovered.

Turning to the isolationists, with their "romantic notion that America can go on living peacefully in a Nazi-dominated world", the President pointed out that the American navy is only invincible as long as the British Navy survives intact. "And that, my friends, is simple arithmetic."

(d) Atlantic rattlesnakes.

The President next declared that the time to stop this calculated and unscrupulous plan was now. The sovereign American people would say, "you have attacked our safety, you shall go no further." One did not wait for a rattlesnake to raise its head and strike before defending oneself. "German submarine raiders are the rattlesnakes of the Atlantic". Therefore, "the time for active defence is now".

(e) American Action.

The measures the President announced were these:

(i) Supply lines. The lines of supply to the "enemies of Hitler" and the sea routes of American commerce will be maintained "whatever it costs."

(ii) American defence zones.

United States ships "will no longer wait until German submarines strike their deadly blow first." Quoting the action of the second President John Adams in clearing the Caribbean Sea of pirates, and of President Jefferson in clearing the coast of North Africa of Corsairs in the early years of the 19th century, the President declared that "from now on, if German or Italian vessels of war enter waters the protection of which is necessary for American defence, they will do so at their own peril." American warships will protect all merchant ships / American or other, in these waters. "They will protect them from submarines. They will protect them from surface raiders." America has not sought a shooting war, and does not seek it now, "There will be no shooting unless the Germans continue to seek it."

(f) The implications of the speech.

The speech means that American patrols in American defence waters which now stretch as far as Iceland, will in effect convoy American and other ships. The Red Sea supply route to Egypt may also very well come under this definition. By implication it also warns Japan against any interference withAmerican ships proceeding to Russia with war supplies.

(g) Handing the Ball to Hitler.

This policy does not require the repeal of the Neutrality Act or a declaration of war, because the basis of executive action is the protection of American waters against piratical action. The next move is once more left to Germany, which, having already angered American feeling by doubting the veracity of the American naval authorities, is now left with the alternative of either abandoning the attempt to interfere with the route to Iceland, or of irritating American feeling progressively by each successive clash with American ships. America has stated that that she will carry out her declared policy regardless of cost or consequences; the ball is handed back to Hitler as he walks alone in the Russian forests.

2. RUSSO-GERMAN WAR.

(a) General Situation.

There is no sign of any relaxation in the intensity of the fighting along the whole Russian front. In addition to the battles round Leningrad, Smolensk, Kiev and Odessa, there have been reports of a new German thrust towards Murmansk in the far north and across the lower Dnieper towards the Crimea in the south, but there has been no confirmation of this news.

(b) Operations.

(i) Leningrad. The main centres of fighting continue to be Leningrad, the Smolensk region, Kiev and Odessa. The Germans claim to have encircled Leningrad, and to have taken Schlusselberg on Lake Ladoga, east of the city, while the Finns claim to have reached the River Suvi, which connects Lakes Ladoga and Onega. In the absence of Russian denials, it is possible that an armoured column has actually reached Schlusselberg though German silence on the point in the last day or two calls to mind M. Luzovsky's remark that the Germans always exaggerate every success and minimise every loss tenfold. Whether the encirclement is complete or not it is said that the Germans are nowhere nearer than 20 miles from the city. It is certain that Leningrad is passing through critical days, and also that even if encircled, its defence will be prolonged. The Germans themselves now admit the certainty of a winter campaign.

(ii) The Smolensk Salient.

In the centre, the counter-attack which recovered Yelnya has developed into a counter-offensive along the whole 200 miles of the Smolensk salient. There is news of fighting north-east of Smolensk, and at Veliki Luki, 125 miles north-west of Smolensk, the Russians claim a German loss of 1,200. It should not be supposed that this offensive, important though it be, is likely to lead to a general German retreat. It is rather a strategic counter-offensive, designed to pinch off the Smolensk salient and so straighten the line, and also to relieve the heavy pressure on Leningrad. If it progresses so far as to compel the diversion of German troops from the Leningrad sector, and also relieves the threat to the Ukraine at Gomel, it will have achieved its strategic purpose.

(iii) The South.

There has been fighting in the Gomel region and north of Kiev, where the Russians claim to have thrown back the Germans. The Rumanians before Odessa have been very badly mauled by the Russians and at the moment are reorganising their forces.

(c) Russian Morale.

The Russian morale remains as high as ever. This was illustrated by M. Luzovsky, of the Russian Information Bureau, who when asked about the weather, replied "the weather is not so important as the activity of the Soviet army". The first test of Russian morale was the rapid German advance in the first fortnight of war. They survived surprise and mobilised their army. The second test was the battle of Smolensk. Here for the first time the Russians met and checked the full German war machine. The third test was the isolation of Tallinn and Odessa. The Russians defended both. The supreme test was the German advance to the Dnieper. The Russians rose to it by sacrificing the pride of their engineering achievement, the Dnieprostroi dam. In the same spirit it may be expected that Leningrad will be held to the last.

(d) The Weather.

The Russian autumn has now begun. Snow has been reported in northern Finland, and rain in the Leningrad and Smolensk areas. While too much emphasis should not be placed upon the weather, there are certain ways in which it may affect, though it will not necessarily stop the fighting. Prolonged rain will fill up the lakes, rivers and marshes, which will then become tank traps. Rain will also impede communications and prevent motor transport across open country. It will waterlog temporary aerodromes such as the Germans must have behind their lines and complicate their whole transport system. Snow will still further hinder mechanical activity by blocking the whole countryside. Except in the north, snow is not likely to fall in quantity before the end of October. The last enemy is the intense frost of real winter which makes the maintenance of all forms of mechanised vehicles and aircraft very difficult.

(e) Aid From Britain.

The substantial aid which Britain is already giving to Russia has been revealed by the Prime Minister's statement that "hundreds" of fighters have been sent to Russia, where they are either now or soon will be in action. In addition £15,000,000 worth of goods, including rubber, tin, wool, lead, jute and shellac have already been sent to Russia. It says much for Britain's increasing strength, that though in May 1940 she was unable to send enough fighter planes to save France, in September 1941 she can send "hundreds" to Russia without jeopardising her security.

3. IRAN.

(a) The Allied Terms.

The Anglo-Russian demands which have been accepted (with slight reservations still under discussion) by the Teheran Government, are a clear vindication of the honesty of the motives announced by the Allies for the action in Iran.

(i) The Allies declared that they had no territorial ambitions in Iran or elsewhere. No territorial concessions have been demanded of Iran.

(ii) They declared also that they had no designs against the sovereignty of Iran. The Iranian capital is free of Allied troops, and even in the areas which it is necessary to garrison, Iranian administrative powers are being supported to the fullest possible extent. Moreover the Iranian troops withdrawn from the garrisoned areas are permitted to retain their arms.

(iii) Britain and Russia announced as their reasons for military action the securing of two objects which peaceful negotiation had failed to attain. These were the protection of existing and legitimate Allied interests in regard to oil from enemy action either from within or from without, and the liquidation of the grave peril to Iran herself, to her neighbours in the Middle East and India, and to the Allies, presented by the Axis Fifth-Column.

The agreement reached with the Iranian Government is plainly aimed at these objects. Iranian troops are to be withdrawn from frontier oil areas in the north and the south-west, which will be respectively garrisoned by Russian and British forces. The destruction of the Axis Fifth Column is secured by the handing over to British and Russian forces of German subjects in the country, and the closing of the legations of Germany and Italy and of their satellites Hungary and Rumania. Legation staffs are allowed to proceed abroad with no encroachment upon privilege.

(b) A Comparison and a Contrast.

Allied treatment of Iran provides a parallel with the British policy towards Iraq after military action had restored the peace broken by Rashid Ali's treachery.

On that occasion also Britain made no abatement of Iraqi sovereignty. She restored the rightful ruler, temporarily dispossessed by Rashid Ali's rebellion, and left in Iraqi hands all the powers of administration and justice and even the responsibility for the trial and punishment of the rebels. Her only demands beyond those calling for the cessation of hostilities and the return of British prisoners, were for the restoration of the treaty-rights which Rashid Ali had broken. "Not only Iraq", said H.H. the Khan of Kalat in a message to the Viceroy on June 5, "but the whole Muslim world will remember this generosity."

For a telling contrast with British policy one has only to select at random from the terrible experiences of the European countries which Germany has overrun on one shabby pretext or another. Instead of respect for national sovereignty we see deliberate attempts on the lives of legitimate sovereigns and members of Government. Instead of the preservation or restoration of constitutional rights, those rights are at best encroached upon and at worst replaced by German government by decree. Where Britain has merely safeguarded her existing commercial interests and has at the same time relieved food-shortage, Germany has shamelessly plundered. In contrast to Allied strategical measures of a purely defensive character, Germany has used one conquered country to outflank the next intended victim, and the bases she has secured have been bases for attack. Where Britain requires merely the internment of active enemy agents, Germany has seized hostages for purposes of political pressure, impressed thousands of labourers for her own war-machine, and sent the Gestapo into every occupied country to find more victims for her infamous concentration-camps.

(c) Mr. Churchill's Reference.

Dealing with Iran in his war-review in Parliament on Sept. 9, the Prime Minister referred to the danger which has been averted of action by the German Fifth-Column not only to "seize or destroy the oilfields which are of the highest consequence, but - a fact to which I attach extreme importance - to close the surest and shortest route by which we could reach Russia."

Besides the necessary surrender of Axis nationals and expulsion of their Legation Staffs, we must have (added Mr. Churchill) "unquestioned control and maintenance of through communications from the warm water port of Basra to the Caspian Sea," for the passage of American and British supplies to Russia.

Mr. Churchill's firm words served to remove certain fears that had been expressed in Parliament of "too much appeasement" on the question of Iran. They should not, however, cloud the clear issues which confronted the Allied Governments and led to the entry of British and Russian troops into Iran.

The gain to the whole Allied defence scheme presented by the settlement of the Iranian problem is clear to all. Had it been possible, as it should have been possible, to reach this position by purely

peaceful negotiations, neither Britain nor Russia would have incurred the trouble and expense of military operations. But no agreement with the Iranian Government for the reasonable use of communications through the country would have had any practical value so long as the organised corps of Axis agents remained at key-positions throughout Iran with the opportunity and intention of sabotage activity. That was the menace which had to be removed, and Britain and Russia were determined to remove it by any means which should prove necessary.

(d) Security for the Future.

The numbers of Germans already arrested (the first message mentioned 300) at once refutes the ridiculous Berlin story of "two women and four men" as the number of their nationals in Iran.

The menace, once removed, must not recur. Allied interests in Iran, which include communications through the country, are necessarily to be safeguarded throughout the war.

It is a tribute to the reasonable yet firm nature of the Allied measures and negotiations that for attaining this object it has at present only been found necessary to garrison the two comparatively small frontier-areas, allowing Iranian troops to withdraw with their arms into the interior through which passes the important north-south railway.

It is the desire and intention of the Allies to co-operate to the fullest extent and in a constitutional manner with the Government of Iran, and the continuance of the lenient policy expressed in the published terms will depend upon the loyalty with which the Iranian authorities meet this desire.

4. GERMAN-OCCUPIED TERRITORY.

Food Conditions and Nazi Policy.

While in Britain the food situation is as satisfactory as it can be in the circumstances, in Europe the prospect of a very difficult winter with very little food faces the millions under the German heel.

Most of the occupied countries like Denmark, Norway, Holland and Belgium can supply their own food needs, if only their German oppressors would allow them to do so. But the Germans convert the essential food supplies into sinews of war and in order to confirm the belief in their own country that aggression has paid, they systematically plunder the occupied countries of their food. From Norway the Germans take fish, butter and potatoes, from the Netherlands hundreds of carloads of fresh vegetables every week. They rob Greece and Rumania of their wheat; Hungary and Yugoslavia of their corn and cereals, Denmark of her dairy-produce, and Holland of her cheese.

But German propaganda is anxious to conceal the true state of affairs from the occupied countries. The radio makes a point of giving every occupied country the most rosy accounts of the harvest elsewhere, but internal broadcasts in the countries concerned paint a different picture -- a picture of bad weather, and of terrible shortage of labour, most of which has been conscripted for Germany.

In refreshing contrast to this German method comes the report from Ankara that Britain has agreed to a first instalment of 50,000 tons of food being consigned to Greece through Turkey. Britain is willing to relax the blockade whenever she safely can. Hitler on the other hand is determined that whoever goes short of food, it is not going to be the Germans, and that whatever food the occupied territories have or can get, the Germans will take possession of it.

APPENDIX

DOCUMENTS

(1) From the "Atlantic Charter", August 14, 1941

Point 3. "They respect the rights of all peoples to choose the form of government under which they will live and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them".

(2) Statement by H.E. the Viceroy, August 8, 1940.

"India's anxiety, at this moment of critical importance in the world struggle against tyranny and aggression, to contribute to the full to the common ideals is manifest. She has already made a mighty contribution. She is anxious to make a greater contribution still. His Majesty's Government are deeply concerned that that unity of national purpose in India which would enable her to do so should be achieved at as early a moment as possible. They feel that some further statement of their intentions may help to promote that unity. In that hope they have authorised me to make the present statement.

"Last October His Majesty's Government again made it clear that Dominion Status was their objective for India. They added that they were ready to authorise the expansion of the Governor-General's Council to include a certain number of representatives of political parties, and they proposed the establishment of a consultative committee. In order to facilitate harmonious cooperation it was obvious that some measure of agreement in the provinces between the major parties was a desirable pre-requisite to their joint collaboration at the Centre. Such agreement was unfortunately not reached, and in the circumstances no progress was then possible.

"During the earlier part of this year I continued my efforts to bring political parties together. In these last few weeks I again entered into conversations with prominent political personages in British India and the Chancellor of the Chamber of Princes, the results of which have been reported to His Majesty's Government. His Majesty's Government have seen also the resolutions passed by the Congress Working Committee, the Muslim League and the Hindu Mahasabha.

"It is clear that the earlier differences which had prevented the achievement of national unity remain unbridged. Deeply as His Majesty's Government regret this, they do not feel that they should any longer, because of these differences, postpone the expansion of the Governor-General's Council, and the establishment of a body which will more closely associate Indian public opinion with the conduct of the war by the Central Government. They have authorized me accordingly to invite a certain number of representative Indians to join my Executive Council. They have authorized me further to establish a War Advisory Council which would meet at regular intervals, and which would contain representatives of the Indian States and of other interests in the national life of India as a whole.

CONSTITUTIONAL FUTURE

"The conversations which have taken place and the resolutions of the bodies which I have just mentioned, make it clear, however, that there is still in certain quarters doubt as to the intentions of His Majesty's Government for the constitutional future of India, and that there is doubt, too, as to whether the position of minorities, whether political or religious, is sufficiently safeguarded in relation to any constitutional change by the assurance already given. There are two main points which have emerged. On those two points His Majesty's Government now desire me to make their position clear.

"The first is as to the position of minorities in relation to any future constitutional scheme. It has already been made clear that my declaration of last October does not exclude examination of any part either of the Act of 1935 or of the policy and plans on which it is based. His Majesty's Government's concern that full weight should be given to the views of the minorities in any revision has also been brought out. That remains the position of His Majesty's Government. It goes without saying that they could not contemplate the transfer of their present responsibilities for the peace and welfare of India to any system of Government whose authority is directly denied by large and powerful elements in India's national life. Nor could they be parties to the coercion of such elements into submission to such a government.

"The second point of general interest is the machinery for building within the British Commonwealth of Nations a new constitutional scheme when the time comes. There has been very strong insistence that the framing of that scheme should be primarily the responsibility of Indians themselves, and should originate from Indian conceptions of the social, economic and political structure of Indian life.

"His Majesty's Government are in sympathy with that desire, and wish to see it given the fullest practical expression, subject to the due fulfilment of the obligations which Great Britain's long connexion with India has imposed upon her and for which His Majesty's Government cannot divest themselves of responsibility.

"It is clear that a moment when the Commonwealth is engaged in a struggle for existence is not one in which fundamental constitutional issues can be decisively resolved. But His Majesty's Government authorise me to declare that they will most readily assent to the setting up after the conclusion of the war, with the least possible delay, of a body representative of the principal elements in India's national life in order to devise the framework of the new constitution, and they will lend every aid in their power to hasten decisions on all relevant matters to the utmost degree. Meanwhile, they will welcome and promote in any way possible every sincere and practical step that may be taken by representative Indians themselves to reach a basis of friendly agreement, firstly, on the form which the post-war representative body should take and the methods by which it should arrive at its conclusions, and secondly, upon the principles and outlines of the constitution itself.

"They trust, however, that for the period of the war (with the Central Government reconstituted and strengthened in the manner I have described and with the help of the War Advisory Council) all parties, communities and interests will combine and co-operate in making a notable Indian contribution to the victory of the world cause which is at stake. Moreover, they hope that in this process new bonds of union and understanding will emerge and thus pave the way towards the attainment by India of that free and equal partnership in the British Commonwealth which remains the proclaimed and accepted goal of the Imperial Crown and of the British Parliament."

(3) Extract from Mr. Churchill's speech in Parliament, Sept.9,1941.

"I have hitherto consistently deprecated the formulation of peace-aims or war-aims by His Majesty's Government at this stage - at a time when the end of the war is not in sight, when the conflict sways to and fro with alternating fortunes and when conditions and associations at the end of the war are unforeseeable. But a joint declaration by Great Britain and the United States is an event of a totally different nature.

"Although the principles in the declaration and its language have long been familiar to the British and the American democracies, the fact is that it is a united declaration and sets up a milestone or a monument which needs only the stroke of victory to become a permanent part of the history of human progress. The purpose of the joint declaration was stated in the preamble to be to make known certain common principles in the national policy of our respective countries on which they base their hopes for a better future for the world. No words are needed to emphasize the future promise held out to the world by such a joint declaration. I need only draw attention, for instance, to the phrase 'after the final destruction of Nazi tyranny' to show the profound and vital character of the solemn agreement which we jointly entered into.

"Questions have been asked as to exactly what is implied by this or that point and explanations have been invited. It is a wise rule that when two parties have agreed on a statement one of them shall not thereafter, without consultation with the other, proceed to put special or strained interpretations upon this or that sentence. I propose, therefore, to speak only in an exclusive sense. Firstly, the joint declaration does not try to explain how the broad principles proclaimed by it are to be applied to each and every case which will have to be dealt with when the war ends. It would not be wise for us at this moment to be drawn into a laborious discussion of how it is to fit all the manifold problems with which we shall be faced after the war.

"Secondly, the joint declaration does not qualify* in any way the various statements of policy which have been made from time to time about the development of constitutional government in India, Burma or other parts of the British Empire. We have pledged by the declaration of August, 1940, to help India to obtain free and equal partnership in the British Commonwealth with ourselves, subject of course to the fulfilment of the obligations arising from our long connection with India and our responsibilities to its many creeds, races and interests. Burma also is covered by our considered policy of establishing Burma's self-government and by measures already in progress.

"At the Atlantic meeting, we had in mind primarily the extension of the sovereignty, self-government and national life of the States and nations of Europe now under the Nazi yoke and the principles which would govern any alterations in territorial boundaries of countries which may have to be made. That is quite a separate problem from the progressive evolution of self-governing institutions in regions whose peoples owe allegiance to the British Crown. We have made declarations on these matters which are complete in themselves, free from ambiguity and related to the conditions and circumstances of the territories and peoples affected. They will be found to be entirely in harmony with the conception of freedom and justice which inspired the joint declaration."

6. 2nd ANNIVERSARY OF THE OUTBREAK OF WAR.

Balance sheet for the 5th week is attached.

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* "Qualify II.7 : to modify (a statement, opinion, etc) by any limitation or reservation; to make less strong or positive"--
-- New English Dictionary.

WAR ANNIVERSARY, 1941

Balance Sheet—5th Week

"HITLER'S NEW ORDER"

A PLAY IN 3 ACTS.

"Never did so mocking a fantasy obsess the mind of man."—*Churchill.*

Prologue: "To guarantee to the Greater German Reich a maximum of economic security and to the German people a maximum of consumption", is, according to Dr. Funk, the Reich Minister of Economics, the object of the "New Order". European economics are to be directed to this end, and the weapons to be used are: economic exploitation, plunder and loot. The German race is to be the *Herren-Klasse* (the master-men), and the rest of Europe is to be reduced to serfdom. The German "elect" will be the masters of all industrial activity, and will live like parasites on the agricultural resources of Europe.

ACT I.

THE PLOT IS UNFOLDED.

Synopsis: Europe is TRICKED into slavery; and the FOUNDATIONS of the "New Order" are laid.

Characters: Hitler and his satellite Mussolini; Dupes and Quislings; Treachery and Deceit.

AXIS PROMISES.	HOW THEY WERE BROKEN.
Austria.—(a) "Germany neither intended nor wishes to interfere in the internal affairs of Austria, to annex Austria, or to conclude an *Anschluss.—Hitler, May 1935.* (b) On Feb. 20, 1938, Hitler addressing the Reichstag, said th t misunderstanding with Austria had been removed.	**Nineteen days** after his Reich stag speech Hitler sent his armies into Austria and **occupied the whole country.**
Czechoslovakia.—"The Sudetenland is the last territorial claim which I have to make in Europe........ I shall not be interested in the Czechs state any more and I can guarantee it. We don't want any Czechs at all."—*Hitler, Sept. 26, 1938.*	**Six months** later Hitler occupied Prague and annexed **the whole of what was left of Czechoslovakia.**
Poland.—There was a German-Polish Treaty of 1934 which laid down that both parties would base their policy on the principles of the Kellog Pact. "A nation of 33 millions would always strive for an outlet to the sea...... We recognise that the German and Polish peoples must live side by side...... We have no interest in breaking the peace."—*Hitler, Sept. 1938.*	On Sept. 1, 1939, Hitler suddenly invaded Poland, shattered her armies **and occupied the rich industrial regions of the country.**
Norway and Denmark.—These two countries were asked to accept "German protection" against the Allies, and while the demands were being presented, German troops occupied the capitals. On the next day, the Bremen radio said, "Germany's action in Scandinavia indicates her genuine desire to maintain the neutrality of the neutrals, and her determination not to infringe the territorial integrity and the political independence of Norway and Denmark now or in the future.	Nothwithstanding the promises made, Hitler began the offensive against Norway when her King refused to appoint a ministry under Major Quisling—**a German agent.** Weak and unprepared Denmark submitted to the Germans **under protest.**
Holland and Belgium.—"The Reich Government declares that Germany has no intention of touching the Sovereignty and Kingdom of the Netherlands or Belgium, either with regard to their European or Colonial possessions, now or in the future."—*German Govt. Memorandum, May 9, 1940.*	Exactly **one day** after this solemn pledge, Holland and Belgium were invaded by large German armies, and two gallant little nations lost their independence.

AXIS PROMISES.	HOW THEY WERE BROKEN.
Luxembourg.—On August 26, 1939, Hitler pledged himself to respect the neutrality of Luxembourg.	On May 10, 1940, Hitler's armies occupied Luxembourg.
France.—(a) " We want nothing from France. We have guaranteed France's frontiers for ever."—*Marshal Goering, Sept. 9, 1939.*	(a) In July 1940 France was **plundered and dismembered.**
(b) " We finally renounce Alsace-Lorraine ".—*Hitler.*	(b) In November 1940, Alsace-Lorraine was annexed to the Reich and **French inhabitants were deported.**
Egypt, Greece and Yugoslavia.—On May 16, 1940, Mussolini said, " I solemnly declare that Italy does not intend to drag other peoples who are her neighbours into this conflict. Let Switzerland, Yugoslavia, Turkey, Egypt and Greece take note of these words of mine."	On Sept. 16, 1940, Mussolini's armies tried to invade **Egypt.** On Oct. 28, 1940, Mussolini's armies tried to invade **Greece.** **One month** later, Italian troops occupied the whole of **Greece,** and large tracks of **Yugoslav** territory were annexed to Italy.
Rumania.—Cajolery and threats are applied and Rumania joins the Axis Pact in hope of reward from the master.	Rumania is **forced to cede** Southern Dobruja **to Bulgaria** and Transylvania to **Hungary.**
Hungary.—Adheres to the Axis Pact on Nov. 20, 1940, to save her skin.	**Is forcibly compelled to send her armies to fight Germany's war against Russia.**
Bulgaria.—Germany assures Bulgaria of her eternal friendship and makes her sign the Axis Pact in March 1941.	Bulgaria's signature to the Axis Pact is followed by German occupation of her territories.

" In the big lie there is always a certain force of credibility, because the broad masses . . . . more readily fall victims to the big lie than the small lie."—*Mein Kampf*, p. 252.

" By skilful and sustained use of propaganda the people can be made to see even Heaven as Hell, or the most wretched life a Paradise."

Mein Kampf, p. 302.
(German edition.)

ACT II.

THE PLOT THICKENS.

Synopsis : The SLAVES are EXPLOITED ; and the " New Order " is set in operation.

Characters : Himmler and the Gestapo ; Dr. Ley and Dr. Funk ; and jugglers in high finance.

PRINCIPLES OF EXPLOITATION.

1. The Forced Transfer of Labour from the Occupied Countries is to feed the war-machine of the Reich.

HOW THEY HAVE BEEN PRACTISED.

Foreign labourers forced to work in the Reich had reached the following totals at the end of 1940.

Poland	400,000
Bohemia and Moravia	107,000
Slovakia	80,000
Denmark	100,000
Belgium	80,000
Luxembourg	2,500
Netherlands	94,000
France	135,000
Italy	300,000

Besides this number, there are more than a million war prisoners working in Germany, making a grand total of 2 million imported labourers.

PRINCIPLES OF EXPLOITATION | **HOW THEY HAVE BEEN PRACTISED**

2. Labour standards in the Occupied Countries are to be lowered.

2. The *Daily Mail* of July 25, 1940, stated that in a certain factory in Paris, **workers formerly earning 5 francs per hour have been reduced to 1 franc.**

In Denmark the Germans have abolished the relation between living costs and wages which had been achieved by the Danish Trade Unions.

In Norway **the wage level has been lowered by at least 20%.** In all occupied countries the Trade Unions have been abolished, the 'corporative system' introduced, and wages reduced to mere subsistence level.

3. Taxes and Occupation costs are to be levied in the occupied countries in order to crush them financially.

3. Following are the figures of annual occupation charges for some of the occupied countries :—

	The Charges. (*million Rm.*)	*Per head of the Population.* (*Rm.*)
Norway	660	226
Denmark	276	73
Netherlands	443	51
Belgium	443	49
France	7,300	174
Total ..	9,122	

(*Sunday Times*, Jan. 5, 1941.)

Rm. 15 being equal to £1, the total bill is equivalent to some £600 million per year, but as the currencies of the occupied countries are under valued, **the true value** of the occupation charges is nearer to **£800 or £900 million a year,** or about **£12 per head on** the average. Under the Dawes Plan of 1924, Germany's reparations were barely **£2 per head.**

Besides these charges, Germany also levies taxes, forced loans, etc., which may be placed at a liberal estimate of **£300 million a year.**

4. "All the soil and industrial property of inhabitants of non-German origin will be confiscated without exception and will be distributed primarily among working members of the Party.... "—*Ernst Darré, in a speech to Nazi officials in May 1940.*

4. Seizures of Jewish property, confiscation of State properties in the occupied countries, control of banks, factories, and industrial plants—all form part of the Nazi loot. The value of these confiscations cannot be accurately estimated, but it is certain that the loot is to be counted in thousands of million pounds.

5. Exchange rates are to be manipulated in order to drain away labour and goods from the occupied countries.

5. By these measures the price which Germany pays for her purchases from the occupied countries is **from 15% to 40% below that which would prevail in a free market.** Even so upwards of £200 million worth of the purchases are on credit which she forces the sellers to grant.

6. The occupied countries are forced to lend to Germany amounts which will never be repaid.

6. By accumulating clearing balances in favour of the occupied territories and issuing new currency which the Central Banks of the occupied countries are forced to accept, the Germans have obtained some £100—£150 million worth of goods and services from the western occupied countries, or in other words, they have **borrowed at the rate of perhaps £170—£250 million per year.**

In the East, the Germans have withdrawn currency from circulation in an incorporated region to purchase goods in an area still unincorporated in the Reich. Thus the kc: 1,600 million withdrawn in the Sudetenland after Munich were later used to purchase goods from Czechoslovakia, yielding some **£13 million worth for nothing.**

Similarly, some 600 million Zloty (about £30 million) withdrawn in annexed Poland have been spent in the "gouvernement Generale".

"Whatever its new trappings and new slogans, tyranny is the oldest and most discredited rule known to History............" *President Roosevelt, on the "New Order".*

"Please do not interpret the word 'slave' as a parable or rhetorical term. We actually have in mind a modern form of mediaeval slavery."

Ernst Darré, the German Agriculture Minister.

ACT III.

THE NEMESIS OR HOW THE PLOT FIZZLES.

Synopsis: The SLAVES saw through their shackles; and the jerry-built structure of the "New Order" begins to TOTTER.

Characters: LEADERS of the FREEDOM FRONT and the FREE GOVERNMENTS in London; partisans and patriots; guerillas and saboteurs.

THE CHALLENGE.	HOW IT HAS BEEN MET.
Czechoslovakia.—50,000 Gestapo and 300,000 soldiers are thrust upon the people; Czech culture is destroyed, teachers and professors are interned and 520 publications are suppressed. Czech industry passes into German control.	**Czech patriots burn oil depots, blow up ammunition dumps, and wreck military trains.** 116 workers were executed in one month because the guns they had been forced to make, burst after a few rounds; 3,000 tons of steel was spoiled when workers added sulphur and zinc to the molten metal which went into 7,000 guns sent all over Europe. **"No one will re-educate us into becoming Greater Germans, even though they promise us the Alps",** wrote a secret Czech paper on Oct. 28, 1940.
Poland.—the 2nd Polish White Paper tells the world how the Germans are seeking to effect "biological destruction of Poland". In Feb. 1940, General Goering decrees the wholesale confiscation of all factories, farms and forests in annexed Poland. Poles are executed for storing arms.	Partisans operate behind German lines; an irregular cavalry unit kills 200 German men and officers and seizes 180 horses and booty. The casualty figure amongst Storm Troopers rises. Sabotage in factories and railway sheds increases.
Norway.—A state of general siege is declared; land is confiscated for building new aerodromes and compulsory labour is decreed. Mass arrests and executions take place to curb the rising resistance.	Strikers and sabotage slow down production in factories. Norwegian pilots escape to join the R. A. F. and seamen cross the sea in fishing smacks to join the British trawler fleet. **Eighteen provincial governors resign rather than obey the puppet government.** The local Quisling Ferboven complains, "large sections of Norwegians appear to suffer from English sickness".
Denmark.—The Quisling Thuns Jacobsen, under the Danish Fuehrer, Fritz Clausen paves the way for German penetration into the country's agriculture and industry. Danes are imprisoned for "incorrect behaviour" and the Nazis muzzle the press and impose Nazi culture.	"We in this country hate Hitler......... I would prefer 504,000 unemployed persons in Denmark to Denmark joining the 'New Europe' under Germany". —*an extract from a Danish letter.* "Blind hatred of Germany's Fuehrer and troops of occupation prevails in the leading commercial, political and military circles", complains the *Nordschleswigsche Zeitung.* "It is tragic that the Danish students, who have every possibility of understanding National Socialism refuse to understand it", reports the leader Fritz Clausen.
Holland.—Quisling Mussert tyrannises over the people and martial law prevails in Northern Holland. All Dutch municipalities and provinces lose their autonomy; education is Nazified, and the people are ordered to eat raw food. Three to nine years hard labour is decreed for listening to B. B. C. broadcasts.	*The Essener National Zeitung* denounces the "degenerate" Dutch for cheering British bombers. **The Dutch blow up machine-building factories and set fire to existing stock of material. Shots are fired from roofs and tiles rain down on Nazi patrols in the streets.** A Nazi publicist bewails that "the saner Dutch-men who refuse to give to the Winter Help Fund because it is reported as being a Nazi institution, gladly gives a guilder to any street musician if he plays national tunes before the house of a Nazi."
Belgium.—Nazis plunder food stores, conscript railway trucks and lorries, muzzle the press and prohibit listening of foreign broadcasts. Farmers are fined for hiding their crops, and innumerable workers are carried off to perform military labour. Belgian textiles pass into German control.	Notorious Quislings are attacked. Shipyards with large stocks of timber are set on fire. The secret newspaper, the *Libre Belgique* prints a hundred thousand copies. "Sabotage, passive resistance, and thinly disguised hostility paralyse the adaptation of Belgian economy and more particularly of the people's mentality to the 'New Order'," says *Le Noveau Journal.*
France.—Alsace and Lorraine are annexed to the Reich. French commerce, industry, banking and exchange passes into German hands. Death penalties are instituted for listening in into the B. B. C. and guillotines are set up to terrorise the populace.	Popular unrest grows in France, **anti-German demonstrations in Paris are followed by shooting of Laval, Deat, Gitton and many German officers.** Sabotage and wrecking of military trains becomes common. Workers participate in anti-Nazi demonstrations in Pontoise. In addition to the 7,000,000 authorised ration books issued in the Greater Paris region, **there are 5,000,000 forged copies in circulation.** The French use their great weapon of ridicule to irritate the German soldiery.

THE CHALLENGE.	HOW IT HAS BEEN MET.
Greece.—Starvation and disease stalk the land as Germans and Italians tyrannise and exploit the people. Religious persecuting breaks out, and the population is forcibly conscripted for military labour.	**Starving Greeks burn the harvest in Thrace rather than see it fall to the Germans.** German military supplies are burnt, and guerillas harass the German troops from their mountain fastnesses.
Yugoslavia.—Croatia, Serbia and Montenegro are dismembered from the parent state. The Quisling Pavelitch and his gang the Ustachi mercilessly persecute the patriots. In southern Serbia a general massacre of priests, teachers and mayors takes place in order to exterminate popular resistance. 700,000 boys and girls are rounded up in schools and colleges and are taken to Germany. The heavy mining industry is taken over by the Nazis.	Serbian guerillas damage the Sarjevo-Brod Railway ; and Montenegro, Novi Bazaar, and Herzegovinia are held by patriot and irregulars who destroy the harvest and wreck the railway tracks. **Impotent in the face of such resolute resistance, the Germans try to form a puppet government under General Neditch in order to enlist popular support.** They also intend to organize a Serbian army and decree compulsory labour in order to prevent able-bodied men from forming increasing guerilla bands.
Rumania.—German exploitation results in general famine and disease. Rumanians are forced to fight Germany's war against Russia. Jews are forced into military labour. The Orthodox Church is persecuted. Forty thousand tons of food is taken away every week.	**Thirteen Rumanian generals are arrested or shot for refusing to lead their men against Russia.** Dr. Maniu, the leader of the Peasant Party, asks Antonescu to call off the war. Goering complains of acts of sabotage behind German lines, and **Antonescu calls for German reinforcements to maintain internal order and peace.**
Hungary and Bulgaria, who had joined the Axis in hopes of new favours from Hitler are disillusioned as Germany uses Hungarian troops to fight Russia and Bulgarian troops to threaten Turkey.	Soldiers desert the Hungarian army rather than fight Russia. Sabotage takes place behind the lines, and **the Criminal Court at Budapest sentences boys between the ages of six and sixteen on charge of damaging the state railways.** Unrest grows in Bulgaria, where King Boris is still trying to stave off German pressure. A secret radio station is discovered at Varna " working in the interests of Soviet Russia ".

" To defy the Power, which seems omnipotent ;
To love and bear ; to hope till Hope creates
From its own wreck the thing it contemplates ;
Neither to change nor falter, nor repent,......
This alone is Life, Joy, Empire and Victory."

PERCY BYSSHE SHELLEY.

Epilogue : " We shall draw from the heart of suffering itself the means of inspiration and survival and of a victory won, not only for ourselves, but for all—a victory won, not only for our own time, but for the long and better days that are to come."

WINSTON CHURCHILL.

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CONFIDENTIAL

HUNDRED-TWENTY-EIGTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 16TH SEPTEMBER, 1941.

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POLICY

1. On Russian front immediate situation is serious owing to fierce German efforts, regardless of loss, to capture Leningrad and develop thrust in Kiev area, before onset of winter and consolidation of Allied aid. Situation is equally serious for Germans who must seek swift decision to avoid loss of initiative against Allies through large scale static warfare on Russian front. Tone of cautious optimism still justified but avoid complacency at all costs.

2. Treat reports of withdrawal of Finns in Karelian Isthmus with caution. This cannot materially affect general situation around Leningrad. Stress reports as showing growing recalcitrance of Germany's dupes.

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1. RUSSO-GERMAN WAR.

(a) General Guidance.

To the German people the colossal struggle on the Russian front is close and urgent. The peoples of the Allied nations, vital as are the issues involved, are separated by geographical distances, some of them very great, from the actual operations.

This latter is a consideration which the enemy, with his well-known reliance upon psychological factors, cannot be expected to ignore. In a situation where the whole structure of Nazi ambitions hangs in the balance, a chance is presented for the use of the propaganda weapon which the Germans have shown themselves ready to take.

Complacency in these circumstances remains the most dangerous enemy of the opponents of Hitlerism. One way of avoiding complacency, for which there is no warrant in the facts of the situation, is to recognise the present tactics in the enemy's psychological campaign.

(i) The "One by One" Technique.

There is abundant evidence to show that the German authorities have resigned themselves to a winter campaign but are confident of victory in the spring, provided the establishment of an effective Anglo-American-Soviet combination can be avoided in the meantime. It is evidently with this thought in mind that German propaganda has suddenly begun to be suspiciously frank regarding German "difficulties" on the eastern front.

The trick is obvious. It is hoped that British and American opinion can be lulled into the belief that the Germans have almost shot their bolt and that the unending stream of fresh Soviet divisions "which literally spring from the earth" can be safely left to hold their own without substantial outside assistance. If that effect could be produced, Hitler's policy of "one by one" (now for the first time in danger of being frustrated) could continue. A knock-out blow against weakened Russia could be followed by a swift and concentrated attack on the Middle East.

(ii) Plan for America.

It can hardly be doubted that this propaganda dodge is closely connected with the submarine attack on the American destroyer Greer in the Atlantic, the sinking of the American-owned Sessa and Montana in the same waters, and in the Gulf of Suez the sinking of the Steel Seafarer and damaging of the Arkansas.

These attacks were intended to embarrass the Administration and strengthen the hands of the Isolationists. If they also prodded Japan into taking similar action on the Vladivostok route so much the better. They have had their answer from the lips of President Roosevelt.

(iii) Fake Appeasement Whispers.

The third most surprising move in this game of isolating the Soviet victim, is the whispering campaign among the Germans abroad and particularly in Stockholm to the effect that an early peace with the Soviet is desirable and that Ribbentrop and officials of the Wilhelmstrasse are in favour of an offer being made on the basis of Germany retaining her gains in the Western Ukraine and having her suzerainty over German-occupied Poland and the Baltic States recognised. Soviet leaders, it is being said, are fearful of the collapse of their regime under the continued war strain and would accept such an offer and even join Germany in attacking the British Empire.

(iv) Gas Threat.

The final facet of this precious campaign is to be found in the renewed and circumstantial reports by Germans about the use of gas against the Russians in a last and great effort to secure a decision before the winter and before the arrival of substantial Anglo-American supplies.

(v) The Game Played Out.

"Divide and Rule" is the daily German practice in all subjugated countries. Equally, "divide and conquer" is her motto in dealing with her unsubdued enemies. For the first time since the fall of France (whom she has very thoroughly divided) she is in danger of being confronted by a group of nations working together in effective combination and she is wriggling hard, - to frighten the Americans: to delude the Russians into a separate peace: the use of gas to get a quick decision -- anything to preserve the game of "one by one".

That game has been played for the last time. Although British and American supplies cannot reach Russia on a really large scale until October, it is permissible to state that from the wide range of commodities already ordered from Britain by the Soviet Union, proportions varying from one-third to half have actually been delivered or are on the way.

(b) Operations.

(i) German Strategy.

The gigantic battle which the Germans hope will result in the destruction of all three of Russia's armies and in the elimination of Moscow as the nerve-centre of Soviet resistance continues with unabated fury. The full-scale German plan is evidently based on their familiar device of double envelopment. If the plan succeeds, the present wavy line extending from the Gulf of Finland to the Black Sea will take the shape of two great curves, the cusp of which will be Moscow. In other words the army of the north under Voroshilov and the army of the south under Budenny must be shattered in order that the German forces may converge upon Timoshenko's army of the centre and destroy the last core of resistance -- perhaps near Borodino where Napoleon's Grand Armee won its last victory before its entry into Moscow and the disastrous retreat which followed.

If the Germans are to achieve this aim, they must crumple the Russian right-wing by bottling up Voroshilov's army in the Leningrad area, thus releasing strong forces for a drive to the south-east; and they must succeed in their attempt to get in behind Budenny's army, which is defending the Kiev sector and the Dnieper bend, by maintaining their thrust from Gomel. Only after the destruction of the forces of Voroshilov and Budenny can the German advance begin to assume the shape of two horns stretching out to encircle the central zone of Russian defence.

(ii) Leningrad.

On the Russian side the two danger points are obviously Leningrad and Kiev. In spite of the German claim to have captured the fortress of Schlusselburg on Lake Ladoga, certain official spokesmen in Berlin are reported to have admitted that the encirclement of Leningrad is still incomplete and that forces and supplies continue to enter from Moscow. It is evident that the Germans have decided not to by-pass Leningrad and wheel to the south-east. For one thing it would be a powerful thorn to leave sticking in their side and for another they need its vast stores of food and war supplies and its facilities as a Baltic port.

It is also evident that the Germans are in a hurry and cannot afford to wait. The bloodiest fighting yet seen in the campaign and unprecedented carnage is taking place in the frontal assaults against the outer rings of forts interspersed among the forests, swamps and streams which abound in the neighbourhood of Leningrad. Manning a network of formidable defence works is a powerful and well-equipped army and behind the city fortress is held by a disciplined civilian population whose fighting morale is outstandingly high. The defence of Leningrad may well outrival that of Madrid in the Spanish Civil War. Apart from courage and tenacity (and they can be taken for granted) the successful defence of Leningrad depends on two things -- the capacity of the Russians to keep a sufficiently strong force of fighter aircraft to prevent a repetition of the devastation of Warsaw and Rotterdam by the Luftwaffe, and, secondly, their ability to prevent the city from being starved out. Neutral military observers, it is worth noting, are unanimous in not expecting an early fall of the city.

(iii) Central and Southern Sectors.

In the central zone Timoshenko has hit back with marked effect at Yelnya throwing the Germans on their defensive. If he can keep up that, he will be able to threaten the enemy's hold on Smolensk and possibly ease the pressure on Leningrad by causing the Germans to switch back to that sector strong armoured forces which are reported to have been drawn off to reinforce the northern onslaught. The Germans as well as the Russians are fighting very near to the limit of their available strength. Similarly, Timoshenko by vigorous counter-attacks, is holding off the powerful drive against Briansk which the Germans have been counting on to drive a wedge between Timoshenko and Budenny. In the south the Germans have established a bridgehead at Kremenchug, 70 miles north-west of Dnepropetrovsk which may represent the southern half of the pincers threatening Kiev. In fending off the German drive from Gomel which threatens his rear he has delivered limited counter-attacks which appear to have slowed up the enemy's advance, but have not yet halted it.

(iv) Summing up.

To sum up, if the Russians with their amazing tenacity can hang on to Leningrad and keep their left-wing from being driven in and enveloped until the snows fall, the German army, placed at the end of enormously extended and precarious lines of communication, will face a terrible winter. And even if Leningrad, Moscow, Kharkov, Kiev and the oil of Caucasus were all lost before the winter supervenes and the Red Army were forced back on to the general line of the Volga it would still be possible for it to be maintained in the field with British and American assistance and by drawing on the war industries which have been built up in the Ural region and behind that in Siberia. At the same time the fact must be faced that serious damage has now been done to the industrial output for war purposes of the U.S.S.R. As a result of the capture of Krivoi Rog and Nilopol, some 60 per cent of the iron ore of the U.S.S.R. has been lost and 35 per cent of manganese. The loss in aluminium production is probably in the region of 44 per cent and if the Volkhov area near Leningrad is lost, this figure will be raised to about 57 per cent. It is very possible that large reserve stocks of metal have been accumulated in armament factories in anticipation of the events that have taken place, but on a long view (and it is going to be a long campaign), the Soviet war machine has been gravely weakened.

(c) Finland and the War.

For the last two weeks and more reports of Finnish unwillingness to continue the war against Russia have been received from Finnish and neutral sources. Though the average Finn and the politically powerful Trade Unionists and Social Democrats desire peace, it is evident that military circles are prepared to continue the fighting, at all events so long as it would appear to serve direct Finnish interests.

Marshal Mannerheim's reported withdrawal of his troops from their positions north of Leningrad to a sector north of Lake Ladoga, would not (if true) have any important effect on Leningrad's strategical situation. The number of Finnish troops employed here was never very considerable, nor is there as yet any indication of a withdrawal sufficient to relieve Russian forces of defence responsibilities in this sector.

Finnish recalcitrance is, however, significant as indicating once again the utter absurdity of German propaganda claims to be leading a united "European front" against Soviet Russia.

It is possible that German pressure and promises might induce Finnish militarists to undertake operations in the north against Kandalaksha and Murmansk. But with the prospect of a bitter winter and severe food shortage the people of Finland are in no mood for military adventures which cannot be represented as vital to their own security.

2. IRAN.

(a) German evasions.

"What harm could a few German doctors and engineers do in Iran?" was the plaintive inquiry recently of the Berlin radio. The question has been answered first by the precautions of German agents in Iran to burn all documents, wherever possible, sooner than let them fall into Allied hands; and secondly by the German Legation's use of every conceivable subterfuge and pseudo-diplomatic ruse, first to avoid, and when that failed to delay, the handing over of Axis nationals to the Allies.

(b) The Sa'adabad Pact.

By the Sa'adabad Pact, signed in 1937 in Teheran itself, the signatories bound themselves not to foster or promote within their respective territories activities hostile to another power.

The fact that Axis agents fleeing from their defeat in Iraq, and branded by the lawful Iraqi government as enemies of the State, had been allowed shelter in Iran and opportunities for further intrigue, might well appear to be a breach of the Sa'adabad Pact.

(c) Internal Situation.

The nature of the situation in Iran which offered the Axis so favourable an opportunity for their intrigues is illustrated by the suppression by the Iranian Government of the newspaper Ettelaat for printing a strongly pro-Axis article pressing for moderated treatment of the German Fifth Column. Reports add that there seems little doubt that the offending article was inspired by the Shah or some member of his family.

"Ever since the Anglo-Soviet advance was completed," reports Reuter (September 14), "Iranian public opinion has been growing into a strong demand for radical changes in the government of the country and in the economic system which has roughly trebled the cost of living in the last four years."

The interest in the question of domestic reforms taken by the Iranian Parliament (which is expected to send a deputation to the Shah to discuss this hitherto forbidden topic) is indicative of the atmosphere described by Reuter.

A different expression of the same feeling may be detected in the reports of tribal and other disturbances in different parts of the country given by American correspondents in Ankara. There is not the slightest doubt that such popular reactions to the prospect of the removal of long-standing grievances following the Allied action will be exaggerated by the Axis and their agents into stories of uprisings against the British and Russian garrisons in their respective areas. Indeed enemy propaganda has already seized upon the opportunity for twisting the facts. The Vichy News Agency by a circuitous route, has been made to quote wild stories of a "Khurdish revolution" in Teheran, with quantities of modern arms, against the "British forces of occupation" (who are not, of course, in Teheran at all.)

The internal situation in Iran is highly charged and might explode at any moment against the present regime of the Shah. We do not wish to interfere in Iran's internal affairs, but we want a Government which will be friendly, and able and willing to preserve order. It would be no surprise to hear that our troops had entered Teheran to secure these objects.

(d) Iranian Opinion.

One of Iran's "foremost business men" is reported in Teheran interviews quoted by Ray Brock, New York Times correspondent in Ankara (September 15) to have said:

"We all knew that there are many Germans here in our country and that we had a fifth column of enormous proportions. But we knew as well that Britain and the United States recognised the danger to the Persian Gulf and the Bandar Shah supply route if the German offensive in the Caucasus is successful.

"We welcome the British, and that is why there was no real resistance - quite apart from the refusal of many of our leading officers to follow the wild and contradictory orders of the parliament. The Russian invasion caused panic in the north and especially in Teheran itself. But that has been quickly dissipated. The stories of Red Army shooting and looting are vastly exaggerated by German agents still operating freely in the capital and by agents of the regime ...

"The British Indian Command did a splendid job with as little bloodshed as seemed humanly possible."

Note.

The term "troops of occupation" or "occupied Iran" should be avoided. Our forces should be referred to as ""garrisons" and as "protective".

3. MEDITERRANEAN ZONE.

Hitler's French and Italian Pawn.

(a) New Route to Africa.

The similarity between the positions of Darlan and Petain in France and Mussolini in Italy become steadily closer. In both countries hatred of the Germans is steadily rising, and both in Vichy France and in Italy unpopular rulers are being kept in power by German bayonets. The German demands from each are rising steeply as German needs increase. The throwing open of Bizerta and the road and

rail communications to Tunisia for the use of Axis forces is probably one of the most immediate German demands. The heavy losses recently suffered by Italian transports between Sicily and ports in Libya make the acquisition of the short sea route to Bizerta urgently desirable.

(b) Vichy Tightens Its Bonds.

The Vichy Government, sandwiched between their Nazi masters and the restless French population, reflect by ever more repressive legislation both German pressure and French resistance.

A new tribunal has been set up to try the authors and accomplices of acts which disturb the political order and to punish them with death. Censorship of all daily and weekly newspapers has been tightened, and active steps are being taken to implement Petain's promise of August 12 to mould French political life to the Fascist pattern. The Vichy Government (according to the Saigon radio, September 14) is concerned with the formation of a single political party which M. Puchen, Home Minister, declares to be indispensable.

(c) Italians in Trouble.

Italy must also do the German bidding. Newspaper correspondents and other foreign observers at Rome report that a rumour is circulating in that city to the effect that in their recent conversations Hitler made it clear to Mussolini that more Italian troops were required on the Russian front and more Italian workers agricultural and industrial, were needed in Germany. These rumours receive support from the frenzied vituperation of Bolshevism which has been appearing in the Italian Press in an effort to kindle enthusiasm for an unpopular campaign. The drafting of many fresh Italian divisions to the Russian front would certainly be disliked and consequently would not provide the German High Command with very valuable fighting material.

On the other hand, there is reason to believe that the Italian Government is much preoccupied with rumours of a projected British landing in Sicily and a resumed offensive in Libya. There have been suggestions that Italy would welcome the return to Sicily of the German airmen who were removed in anticipation of the attack on Russia. This is more probable since there are independent reports that unrest is spreading in Sicily in consequence of our aerial attacks upon Sicilian aerodromes.

It is evident too that the sallies of our garrison from Tobruk would be even more successful than they are but for the presence of German troops. It seems unlikely, therefore, that Hitler will invite a repetition of last winter's Italian debacle by the complete withdrawal of all Germans from Libya. Thus, Italy is in the unhappy position of being pressed to reinforce Germany on the eastern front while being left to cope with the Libyan situation, though not entirely unaided, yet without the substantial German reinforcements which had been confidently expected.

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HUNDRED-TWENTY-NINETH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 20 TH SEPTEMBER, 1941.

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POLICY

1. On Russian front situation continues to be serious particularly in German thrust towards Crimea. On short-term basis this gives cause for anxiety owing to increased danger to Russian industry and resources. On long-term basis situation still gives cause for sober confidence. Play up mounting Allied aid to Russia, high morale of Russian troops and continued efficiency of Russian military organization and communications.

2. German situation is serious owing to necessity for early decisive success against Russia to enable them to meet consolidating Allied front during forthcoming winter. Treat German reports of their difficulties with utmost caution. These are designed to breed complacency.

3. Stress object of advance of Allied troops to Teheran was solely to secure legitimate Allied and Iranian interests obstructed by duplicity of late Shah's autocratic regime.

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Balance Sheet, 6th Week.

1. RUSSO-GERMAN WAR.

(a) Operations

(i) Leningrad.

In the Leningrad sector, the fighting continues as furiously as ever. It is said that 2,500,000 men are locked in mortal combat in this area. Marshal Voroshilov from the Valdai hills continues his counter-attacks both north and south of Lake Ilmen and has prevented the Germans from completing the encirclement of Leningrad.

An encouraging feature of the northern situation is the continued ability of the Russian fleet to hold the Gulf of Finland in spite of the loss of Tallinn. This ability has been demonstrated by the repulse of a German attack on Oesel or Sasama, the largest of three islands which lie across the entrance of the Gulf of Riga, and thought to be the base for the Russian raids on Berlin and the Baltic coast.

(ii) Smolensk.

In the centre the Russian success at Yartsevo has balanced their previous victory at Yelnya, and means that Smolensk is now definitely threatened by Marshal Timoshenko's forces.

(iii) The Ukraine

In the south the thrust to Kiev is serious with the occupation of Chernigov to the north and Kremenchug to the south. It is further south still, however, that an important German advance seems to have taken place.

It is believed in London that the Crimean peninsula has been cut off from the mainland. If this is true it probably indicates that the Germans have crossed the Dnieper at the easternmost point of its great bend, somewhere in the neighbourhood of Dnieprostroi.

An advance here would have the effect of immediately cutting off the neck of land between the Dnieper and the Black Sea, because Dnieprostroi is north and somewhat east of the Crimean Isthmus. The tract of land thus uncovered is barren and without important industrial plant and so of little value in itself.

(iv) The Crimea.

The Crimea is important mainly for the great naval arsenal and base, Sevastopol. As long as the Crimea can be held Odessa can be supplied by sea, but should it be lost, the Russian fleet will have to retire to the Caucasian base of Batum, which makes the despatch of supplies to Odessa much more difficult. The Crimea itself would have to be provisioned by sea from Rostov, at the head of the Sea of Azov, or else from Batum. The possession of the mainland north of the Crimea would facilitate air and paratroop operations against the Crimea, but not naval operations, for the coastline here contains no important port.

(b) Allied Aid.

(i) Britain.

The Prime Minister's statement in the House of Commons with regard to fighters sent to the Russian front showed that aid to Russia was not waiting on the Moscow Conference, nor was it negligible in quantity. On the contrary, it has been very substantial and has included a great variety of materials. Russia has her own highly developed munitions factories and industrial system, so that her needs are mainly for raw materials.

A glance at the map will show that Britain's ability to convey substantial aid to the Russians is a striking testimony to her continued command of communications over vast distances. Note that Germany can give no aid to her ally, Japan, by any route.

Quantity. The quantity of British aid is indicated by the statement that approximately one-third of the Russian demands have been met.

Variety. The range of British aid is shown by the list of materials sent. These include rubber, boots, wool, woollen cloth, hides, lead and jute (all in large quantities); also shellac, cobalt, and industrial diamonds. Much of this material has already arrived.

Value. The value of the goods is shown by the fact that before Sept. 1, £.15,000,000 worth of goods had been sent to Russia. This is half as much again as the original British credit to Russia at the outbreak of the Russian war.

Naval Help. "There are many ways in which naval help can be and is being given to Russia", said Mr. A.V. Alexander, First Lord of the Admiralty, on Sept. 14.

Military Help. During the week Sept. 22 to Sept. 28, inclusive, the whole output of the British tank factories is being sent to Russia, said Lord Beaverbrook on September 15.

(ii) America.

America has given Russia a credit of 100,000,000 dollars. Two American tankers, with oil for Russia have already reached Vladivostock, and America has disregarded Japanese complaints that the despatch of the oil has "hurt her feelings." Nine other ships are on the way. Mr. Harry Hopkins, in his recent visit to Moscow, did not say to the Russians "What are your minimum demands?", but "What do you require? We will supply it." The latest information is that 200 American fighter aircraft intended for Britain under the Lease and Lend Act have with British consent, been diverted to Russia.

(c) Bulgarian Background.

(i) Russo-Bulgarian Relations.

Little was known of the Bulgarian race at the beginning of the nineteenth century and had it not been for Russian aid and sympathy, the revival of the Bulgarian national spirit, which began with a literary renaissance, would have had but little chance of success. The Treaty of San Stefano, which was dictated by Russia in 1878, realised almost all Bulgarian ambitions and gave Bulgaria a homogeneous home.

Though this treaty was modified later by the Treaty of Berlin, the relations between Bulgaria and Russia continued, inspite of some slight disagreements, to be friendly up to the outbreak of the First Balkan War in 1912. When in 1908 Bulgaria declared herself to be an independent Kingdom, the protests of Serbia against this action were stilled by Russian firmness; and Russian money reconciled the Porte to this change.

In the Great War Bulgaria joined the Central Powers and emerged defeated and disillusioned. The peasants therefore resumed their old pro-Russian attitude, and nearly succeeded in setting up a Communist regime.

(ii) Balkan Problems.

The problem that faced Bulgaria after the termination of the last war was one of irredentism and revision. The Bulgarians refused to have anything to do with the movement for a Balkan Federation during the early thirties, because that would have meant an end to their territorial claims against Rumania, Yugoslavia and Greece. The Balkan Entente was however formed in 1934; and the signatories, Rumania, Yugoslavia, Greece and Turkey made every effort to render the Pact as unobjectionable as possible to Bulgaria.

Two factors, however, changed Bulgarian policy and made Bulgaria adopt a more amiable attitude to her Balkan neighbours. The first factor was the campaign that the Berlin-Rome Axis launched in 1937 to break up the Little Entente (Czechoslovakia, Yugoslavia and Rumania). This was a warning to the Balkan countries; Bulgaria signed a Pact of Perpetual Friendship with Yugoslavia on January 24, 1937. The second factor was Germany's occupation of Austria in March 1938, which showed the necessity of a solid front in the Balkans. On July 31, 1938 Bulgaria signed a Treaty of Friendship and Non-Aggression with the Balkan Entente.

(iii) German Manoeuvres.

Though Bulgaria was made to sign the Axis Pact in March 1941, Germany has so far hesitated to force her into active war against Russia, for the pro-Slav and pro-Russian sentiment is a considerable power in the country. Bulgaria was allowed to seize territory in Yugoslavia, Greece and Rumania considerably greater than she ever demanded, but even this appeasement does not seem to have made her pro-Nazi to the extent of her becoming anti-Soviet.

Realising this peculiar alignment of forces in Bulgaria Hitler may continue to desist, for the time being, from driving her into active warfare against Russia. The reported attempt to pass Italian warships through the Dardanelles under the Bulgarian flag, which is borne out by the presence of Admiral Raeder in Sofia, is a typical example of keeping Bulgaria nominally neutral, while using her indirectly against Soviet Russia.

(iv) The Question of the Straits.

This latest German manoeuvre raises the question of the status of the Straits which is governed by the Montreaux Convention of 1936. One of the clauses of this Convention states explicitly that, in time of war, belligerent war vessels cannot pass through the Straits except to execute obligations under the League Covenant or render assistance to a victim of aggression in virtue of a treaty of mutual assistance "binding Turkey" and registered with the League. Thus this clause should rule out the possibility of war-vessels camouflaged under the Bulgarian flag being allowed to pass through the Straits to aid Germany in the invasion of Crimea, for Bulgaria, though not at war with Russia, is an unmistakable, if undeclared, belligerent, who has attacked and robbed Yugoslavia and Greece - the allies of Great Britain - in the present struggle.

The German attempt to get Italian warships into the Black Sea incidentally testifies to the strength of the Soviet fleet in these waters and to the strong defence of Sevastopol.

2. THE NEAR AND MIDDLE EAST.

(a) General Survey.

The events of the past few months and the prospects of winter warfare have brought German ambitions in the Middle East, long recognised in well informed quarters, plainly into the public view. In the light of subsequent developments it can now be seen that the British operations in Greece and Crete, though they ended in tactical defeats, had the character of strategic success in that they frustrated the first German plans for reaching the oil of the Middle East by way of the Syrian "soft spot". It was the delaying operations in Crete and the Balkans which prevented the enemy from taking advantage of carefully prepared disturbances in Iraq and Syria, and so mauled his specialised air-borne troops that the attempt had to be postponed.

This postponement, and the superb resistance of the Russian armies, has allowed the formation, from Spitzbergen to Tobruk, of a great arc of Allied defence which is now being consolidated into a front against the only too patent German threat. The coming months may be expected to bring moments of danger and of vital decision for more than one country of the Near and Middle East, the defence of which against the ever-widening Axis aggression is a fully recognised Allied and Imperial concern.

(b) Turkey's Economic Position.

Striving to safeguard her neutrality in circumstances of increasing difficulty, Turkey has been prudent not to neglect the needs of internal economic and industrial development. A large-scale road-building programme of 6,200 miles has been undertaken, and according to Ulus a move is being made to set up an automobile factory - since, in the present state of international affairs, the importation of spare parts is a difficult matter. It is intended to have the road between Ankara and Istanbul ready by next winter.

(i) Dr. Clodius in Trouble.

Germany, through her Balkan economic expert Dr. Clodius, has been straining every nerve to recover and extend her commercial links with Turkey. Events have not so far, however, turned out to her liking. Dr. Clodius arrived in Ankara on September 9 to find that Great Britain had unloaded at the Turkish port of Mersin 9,000 tons of Australian flour, 6,000 metres of steel cable, and 25 million liras worth of Turkish currency made in England. Some of the 40,000 tons of British goods already in the Middle East were delivered to Turkey simultaneously with Clodius' visit, providing a striking answer to German propaganda claims that the British cannot fulfil their contracts now owing to the sea-lane between the the two countries being over 12,000 miles.

(ii) Britain Delivers the Goods.

Lord Carlisle, of the United Kingdom Commercial Corporation, has negotiated with the Turkish government for the purchase of a substantial exportable surplus of figs and sultanas at a fixed price. All these successes inevitably left an unpleasant taste in the mouths of Rome and Berlin representatives. The Turks have however, met the situation by saying, as The Times Istanbul correspondent observed (September 12) "The Germans are here only to renew a trade agreement which expires in August, and we seek trade wherever we can get the most satisfactory terms." By the end of August Britain had delivered £3,598,433 worth of goods to Turkey and they continue to be shipped at the same rate. The largest single item valued at £ 733,866 was for locomotives, tenders and goods wagons. Cotton piece-goods formed the next biggest item, £ 518,412 in value.

(iii) Failure of a Mission.

German trade relations with Turkey have been far from happy. She owes Turkey £ 5,000,000 in cash for goods recently purchased. Dr. Clodius, despite Bulgarian manoeuvres, was compelled to keep economics clear of politics. He was reduced to asking Turkey to take Greek tobacco and olive oil in return for much needed foreign exchange, if it could be spared. As a postscript he added the request that the damaged bridges on the Istanbul-Svelengrad railway be repaired by the Turks. Britain's position had not merely improved from what it was a year ago, but in the words of Sir Hughe Knatchbull-Hugessen "there is a promise of an even greater trade programme for the future".

In the view of the American Ankara commentator Agronsky, the possibility of a clearing agreement is all that is left for Dr. Clodius.

(c) Political Development in Syria.

(i) Republic Re-established.

General Catroux, by restoring the Syrian Republic and vesting it with authority, has taken an important step towards the establishment of a fully independent Syrian Government.

More than five years ago (on March 1, 1936) the then High Commissioner, M. De Martel, solemnly declared, on the instructions of the French Government, that a treaty between France and Syria on model of the Anglo-Iraqi Treaty would be concluded. A Franco-Syrian draft Treaty of Friendship and Alliance was signed in Paris on September 6, 1936, and ratified by the Syrian Government. But there was strong opposition in the French Parliament to many of the provisions in the draft and some critics thought the stipulations for the protection of minorities insufficient to guarantee these peoples a voice in the government of their country. When the example of the Anglo-Iraqi Treaty was cited they argued (not without reason) that the minorities question had not arisen in the case of Iraq.

Consequently, up to the outbreak of war, the Treaty had not been ratified by France.

(ii) Arab Opinion.

The future of Syria -- virtually the cradle of Pan-Arabic aspirations -- has claimed the close attention of neighbouring States. About the time of the fall of France, General Nuri es Said, Foreign Minister of Iraq, visited Ankara, Damascus and Aleppo. Back in Baghdad (July 5, 1940) he reported that Turkey, like Iraq, thought Syria should be for the Syrians and should enjoy complete independence.

Mr. Eden echoed the sentiments of the Arab world when he declared (May 29, 1941), "The (British) Government has great sympathy with Syrian aspirations for independence ... Many Arab thinkers desire for the Arab peoples a greater degree of unity than they now enjoy. In reaching out towards this unity they hope for our support".

Mr. Churchill went a step further (September 9, 1941). "We do not propose," he said, "that the process of creating an independent Syrian Government or Governments shall wait until the end of the war... The independence of Syria is a prime feature in our policy". This statement was well received in the Arab Press. "Mr. Churchill's Syria-Lebanon declaration", said Al Difaa, "will undoubtedly have a far-reaching effect since it comes at an apposite moment and manifests good intentions". Falastin's comment was, "Britain's solicitude for Syria's future deserves the appreciation of all Arab peoples, and of the Syrians and Lebanese particularly".

It is apparent that General Catroux agrees with Mr. Churchill that "There must be no question, even in wartime, of mere substitution of Free French interests for Vichy French interests".

(d) Shah and People in Iran.

(i) Riza Shah's Abdication.

The abdication of Riza Khan Pahlevi came in time to prevent the popular resentment against his autocratic government from assuming grave proportions. Heavy taxation and the inequitable monopoly system, which attended the ex-Shah's "modernisation" projects, had caused widespread and unnecessary hardship, against which the Iranian parliament had been powerless to protest. Protests or even recommendations, indeed, involved their bearers in the risk of physical injury.

Opinion in Iran had not been blind to the direction taken by British influence in Middle Eastern countries, and to the political and material benefits secured by neighbouring states with British help. It was natural, therefore, that the advance of Allied forces into Iran and the capitulation of the Shah's conscripted army should not only strengthen the hands of the Iranian Parliament in their desire for constitutional advance, but should also encourage dormant popular hopes of a better regime.

(ii) Allied Action and Motives.

It would be false, however, to assume that Allied action in Iran in the first place was dictated by any political interest in the form of government in the country, or any intention to bring about changes in the government. It would be equally false to attribute the further advance of Allied forces to the capital to any desire to abrogate the right of the Iranian people to choose their own form of government.

The motives of allied action remain what they were originally declared and have since been clearly shown to be to remove the danger to Iran itself, to her neighbours, and to Britain and Russia, arising from the Axis Fifth Column inside the country and from the inability or unwillingness of the former Iranian government to guard adequately against the German menace.

Movements of Allied troops subsequent to the agreement with the Iranian government have been necessitated by obstructional tactics connived at or supported by the ex-Shah which were hindering the execution of that agreement.

(e) Afghanistan's Affairs.

(i) Indian Trade with Afghanistan.

Indian exports to Afghanistan during the year 1939-40 have been the largest as compared with the preceding two years, for Indian policy has taken care to see that Afghanistan does not necessarily suffer on account of the war. India has increased her exports both in manufactured goods and raw materials in order to maintain the equilibrium of Afghanistan's internal and domestic economy.

The economic difficulties which still face Afghanistan are due to her reliance on trade with Germany and Japan. Her trade with Germany has now ceased because the route through Iran has been blocked; and her recent trade agreement with Japan has been affected by the Indian freezing order which will undoubtedly affect Japanese trade in transit through India as it does Japanese trade with India. India can, however, provide Afghanistan with increased quantities of goods for which she used to rely formerly on the outside world. Cotton piece-goods, silk manufactures, leather, hardware, cutlery and other iron and steel goods, can all be sent in growing measure to Afghanistan, in return for the timber, spices, fruits, skins, carpets and raw wool which Afghanistan has to sell.

(ii) Rumour-mongers.

Afghanistan's position at a cross-roads of mountain trade-routes renders her particularly susceptible to the activities of the rumour-monger. Stories carried in and out of Afghanistan, mostly by ignorant peddlers, lorry-drivers and the like, give vivid entertainment in the bazaars though they seldom bear much relation to the truth.

One such group of rumours that has cropped up lately is of hostile British intentions towards Afghanistan, diplomatic British pressure to secure the passage of troops, and the like. For none of these reports is there the slightest foundation in fact.

3. War Anniversary, 1941.

Balance Sheet of the 6th week is attached.

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CONFIDENTIAL

HUNDRED-THIRTIETH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 23RD SEPTEMBER, 1941

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. On Russian front situation continues to be serious particularly in South but there is no indication yet of possibility of early German decisive success. Discourage expectations of early effects on fighting from approaching winter.

2. Stress situation has often been serious in the past but Russians, although they have given up huge territories, have always retired intact after inflicting heavy losses. This defeats German primary objective of destroying Russian armies.

3. Treat reports giving impressions of ruptures in Axis and peace overtures, such as American relations with Finland and Italian mission to America, with greatest caution. Reports are often Axis-inspired propaganda.

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1. RUSSO-GERMAN WAR.

(a) German Race against time and waste.

It would be foolish to ignore the fact that the situation of the Soviet armies is now more serious than it was a week ago. The

SMS.

Germans are making a terrific effort along the entire front to cripple their opponent before winter comes. It is a race against time and all the more so since it is reported that Berlin is perturbed by the receipt of weather forecasts predicting winter conditions at an unusually early date this year.

It is also a race against wastage. Apart from the high rate of replacement caused by the fearful losses in actual fighting, the wear and tear of vehicles and the consumption of fuel in maintaining the flow of supplies across some 500 miles of "scorched earth" must be enormous. Lives, equipment and supplies are being expended by the Germans at a rate which no military machine on earth can keep up for an extended period without endangering its existence by exhaustion.

This colossal wastage is being deliberately ignored in order to inflict greater and permanent wastage upon the enemy by depriving him of his chief coal and oil fields and his industrial areas. Indeed the Germans have no option in the matter. It is neck or nothing. If they fail or only partially succeed in laying waste the war resources of Soviet Union, they will be in the dangerous position of seeing their own rate of wastage (particularly in petrol) continuing through the Russian winter without tangible result. In that event the prospects for a spring campaign against the Soviet Army, powerfully reinforced from its human reservoir and re-equipped from American, British and Russian factories, would be grim.

(b) Voroshilov, Timoshenko and Budenny.

(i) Prospects for the Soviet Armies.

How near are the Germans to their goal? The outstanding fact which cannot be overlooked is that this third wave of the German offensive has not yet lost its initial momentum. Until it is halted, either by Russian counter-attacks or by winter conditions or both, the situation of the Soviet Armies is bound to become increasingly difficult. The battle which is now raging is so titanic in its dimensions and so confused as to details -- details which, in all previous campaigns, would have been regarded as major engagements -- that any summary of the situation is in danger of being misleading.

One of the crucial questions which events will answer in the near future is whether Timoshenko's counter-attacks against the Smolensk sector, late though they are, have sufficient weight and equipment to maintain the thrust so as to destroy the centre of German communications. If so, the situation along the entire front will be decisively changed. Continued advance against the flanks of this salient would compel the German forces within it to fall back towards the Dnieper -- a movement which would expose the right flank of von Leeb's forces in the Leningrad area as well as the left flank of von Bock who is striking in behind the Russian army of the south.

It would, however, be unwise to be optimistic on this score. Timoshenko has left his counter-offensive till dangerously late and the task before him is formidable. If he has a large reserve at his command, the very fact that the lateness of his counter-drive had allowed the Germans to become deeply involved in major operations, both to the north and to the south, would enormously increase the potentialities within his grasp. On the other hand, if large reinforcements of equipment are not available to him, his advance can only be on a limited scale and the German advance against Leningrad and in the Ukraine will be unaffected.

(ii) Defence of Leningrad.

For a month a fight to the death has been raging in full fury round Leningrad. There are still two **mysteries** about this deadly struggle. Have the German forces succeeded in cutting off the city from the rest of Russia? Secondly, is the bulk of Voroshilov's army bottled up inside the defences or is it still outside and mobile?

As to the first question it seems that the first swift thrust of the Germans was thrown back, and that secondary lines of communication with Moscow are still open. On the second point, the probability seems to be that, while powerful garrisons are holding the concentric rings of forts and strong points, the greater part of the army is operating in the region of the Valdai Hills.

Military doctrine, confirmed by many experiences, teaches that it is fatal for a field army to take refuge in a fortress which will be isolated and invested. It seldom escapes ultimate destruction, and may bring disaster to the forces endeavouring to relieve it. The fate of Bazaine's army at Metz and Macmahon's army in Sedan is a notorious instance of a double catastrophe which may occur.

It would be a mistake, however, to apply the doctrine to the defence of Leningrad, for the city forms an integral part of the main Russian defensive line, and Voroshilov's army cannot be said to have taken refuge in the city. Much of it remains outside. The situation is, therefore, one of a defensive battle in which the attack is concentrated against a locality of the greatest strategic significance at the risk of exhausting itself and exposing its communications to counter-attack. Should the counter-attacks which Voroshilov is reported to have launched in the Valdai Hills, south of Lake Ilmen, have sufficient weight of numbers and armaments, they may be able to exploit the possibilities of the situation and become a serious threat to the communications on which the attack against Leningrad largely depends. Again, it is a question of available reserves.

The defence of Leningrad itself has already become one of the great epics of military history. It seems very doubtful whether it can be taken by direct assault and its vast supplies would enable the city to withstand a considerable siege. Its fate will probably be decided by developments elsewhere.

(iii) Loss of Kiev.

In the south, the loss of Kremenchug and Chernigov placed the city of Kiev at the head of a dangerous salient, which has now been cut off by the capture of the city itself. There is little doubt that some Russian troops have been trapped in this pocket (an area as large as Holland) and equally little doubt that they will do their best to fight their way out and that some of them will succeed. The Germans advancing south-east from Gomel and east from Kiev have now no important physical obstacle between themselves and Kharkov; while the German advance across the Lower Dnieper at several points appears to be a prelude to a determined German drive for possession of the Eastern Ukraine, the Donetz Basin and the Crimea.

(c) Russian Resistance and Allied Aid.

It is clear that the Soviet Union is passing through a particularly anxious period. Will the Soviet Army be able to bar the Germans from the important industrial areas of Leningrad, Moscow, Tula, Kharkov and the Donetz Basin until winter conditions make large-scale operations impossible and breathing space can be won for re-equipping? The loss of all these places is not out of the question; almost anything can happen in a war on such a scale, and the economic consequences would be serious; but it can be assumed that the Soviet Army would then withdraw towards the Volga and probably dig in on a defensive front until events made the resumption of operations possible.

There is ample evidence to show that Russian morale along the entire battlefront and behind it remains magnificent. Moreover, in the (at present unlikely) event of the Japanese violating the recently concluded neutrality agreement and attacking the Soviet Union, there are good grounds for believing that they will meet with a merited rebuff from the Soviet army of the east which is powerfully equipped and ready for action.

Although the stream of aid from the British Empire and the United States has already begun, it cannot in the nature of the case, seriously affect the issue of the present crisis; but it can be said with authority that, within no distant future, the Soviet Army will receive all the supplies and equipment which it needs. These needs will be on a vast scale and to satisfy them will require considerable sacrifices on the part of the British and also "all-out" production from every British and American war factory; but it will be done.

(d) The Black Sea.

(i) German Aims.

There are unmistakable signs that Germany is planning a major offensive across the Black Sea against the Caucasus. Such an attack would be primarily aimed at depriving Russia of her oil supplies while recouping Germany's own depleted resources and would also seek to offset the loss of prestige which has resulted from the German inability to follow up her preliminary intrigues in Iraq, then Syria and finally in Iran. The third motive would be to draw off the British Empire forces from the Libyan front at a time when seasonal conditions make major operations in that region possible once more. The attack upon the Caucasus would be a dangerous operation as long as Budenny's army remained intact upon the German flank. Hence the weight of the German thrust across and behind the Lower Dnieper and their anxiety to get possession of, or at any rate to neutralise, the great Russian naval base of Sevastopol in the Crimea.

(ii) Bulgaria and Turkey.

While Molotov's stern warning to the Bulgarian Government (which has become known throughout Bulgaria) almost certainly rules out the use of Bulgarian troops against Russia as being too dangerously unpopular, there are many reliable reports to the effect that the Germans are hard at work enlarging and fortifying the Bulgarian Black Sea ports of Burgas and Varna, where German naval forces are concentrated. A major impediment from the German point of view is the overwhelming naval superiority of the Soviet Union in the Black Sea. For that reason it is perhaps significant that a fresh crop of rumours has appeared in Ankara that Germany and Italy are about to make a demarche to Turkey requesting permission for the passage through the Dardanelles of eight Italian destroyers and an unspecified number of Italian submarines on the ground that they had been bought by the Bulgarians. There can be no doubt that Turkey would refuse any such request, whatever form it might take. The persistence with which this rumour continues to appear gives the impression that it is deliberately launched as a trial balloon by interested parties.

(iii) Summing Up.

Although all available information goes to show that there is no immediate danger of a German attack on Turkey, the fact remains that the passage of naval reinforcements through the Straits will be necessary for a maritime expedition against Batum. Appropriate pressure will no doubt be applied on the Turks when Germany considers the time is ripe. If and when that challenge comes, Turkey will be in a different position from her previous isolation, for now there are British troops at all three of her frontiers who could come to Turkey's assistance directly and at short notice.

For the same reason Dr. Clodius is not in the commanding position at Ankara to which he has been accustomed in dealing with neutral countries and which enabled him to acquire a stranglehold by dictating one-sided politico-commercial agreements. In that connection it is interesting to note that the United Kingdom Commercial Corporation is negotiating with the Turkish Ministry of Communications for the development of part of southern Anatolia to cope with an enormous increase in the volume of traffic and for the construction of a jetty at Alexandretta which will be used for discharging locomotives and other heavy material exported to Turkey by Great Britain.

Germany is still master of a turbulent and infuriated Europe, but the British Empire and the Soviet Union have built a solid barrier across her eastern path while in the West the navy of the United States is under orders to shoot at sight.

2. IRAN.

(a) Allied Action Rouses Popular Hopes.

The entry of British and Soviet troops into Iran not only revealed the existence of a network of German agents and saboteurs of an even more extensive character than had been anticipated, but it also gave the ex-Shah an opportunity to prove that he was hand-in-glove with his German patrons. Recovering from their first fright the Germans in Teheran, with the open connivance of the Court, adopted every possible form of falsehood and evasion to remain where they were and retain control.

At the same time it quickly became apparent that the long-suppressed hatred of the ex-Shah's corrupt tyranny was on the point of breaking out into open revolution. The Iranian Army was disintegrating, the warlike Kurdish tribes in the south-west provinces were in revolt and among the deputies of the Majlis a movement for the termination of the dictatorship and the resurrection of constitutional government was rapidly gathering momentum.

(b) British Diplomacy.

Realising the situation and anxious to avoid bringing about the downfall of the Iranian Cabinet the British authorities handled the situation gently -- perhaps too gently. Questions were asked in the British Parliament indicating Members' anxiety lest a dangerous "appeasement" policy were being followed, and friends of Britain, while having no wish to see her imitate the brutality and ruthlessness of the Axis, pointed to the need for firmness in an issue where the safety and interests of many countries were in jeopardy, not least those of Iran herself.

In this connection the tribute paid to the British Minister in Iran on September 18 by the New York Times Ankara commentator, Ray Brock, is of special interest.

"Sir Reader Bullard", said Mr. Brock, "is recognised throughout this part of the world as one of the British Foreign Office's most accomplished experts on Near Eastern and Middle Eastern questions ....

"Grey-haired and kindly, at 56, Bullard worked through Iran's grave crisis with an apparent unconcern and easiness which alarmed a large section of the foreign Diplomatic Corps and foreign observers at Teheran. Time and again during the most critical week in Iran, when the British and Russian troops had halted in the south and north-west, when the ex-Shah apparently re-established himself and revolt was beginning among the Iranian tribes, when the Germans armed themselves within their Legation compound and made motions of resistance, and when the Iranian capital and provinces neared the verge of civil war, this correspondent heard the bitterest complaints and criticisms directed against the British Minister. Leading Iranians themselves in Teheran and Kermanshah were outspoken in their conviction that British diplomacy was fumbling away the gains made by the Allied armies.

"Down with the Shah! " was the universal cry, and British popularity, which had sky-rocketted with the appearance of British troops in the country sank, rapidly as it became apparent that the Shah would remain on the throne unhindered ... The Shah intensified his martial law decree, but the population only became more restive.

"Then suddenly, as if by a miracle, the Shah abdicated. He fled to Ispahan, leaving the throne in the hands of the Crown Prince. Prime Minister Farughi summoned his ministers and a new constitution was declared as the British and Russian columns resumed their mobilised march to the capital. "

"Bullard, according to Iranian experts here, was largely responsible. The British Minister, on the basis of information from trustworthy sources, was in almost continuous conference with Premier Farughi and other government leaders. Counselling, advising, directing, while certainly oblivious to criticism, Minister Bullard finished his job. When Premier Farughi led his delegation of ministers to the Shah's Palace on Monday afternoon (Sept. 15) the outcome was certain".

(c) The New Regime.

The popular nature of the movement which has displaced Reza Shah from the throne of Iran has been emphasised by the first acts of the new Shah. The Chief of Police, the chief agent in maintaining the ex-Shah's government, was dismissed the day Reza Shah abdicated. The ex-Minister of War, whom he had beaten with the flat of his sword and then imprisoned, was released. When the new Shah took the oath, he promised to co-operate with Parliament in instituting reforms and to punish officials who oppressed the people. As soon as he had taken the oath, he announced the restoration to the nation of the huge estates, especially in the Gilan and Mazandaran provinces bordering the Caspian, which the Shah had bought up, often at knock-down prices, thus causing much hardship.

A big question which will have to be tackled is that of monopolies. They had grown, says Reuter's Teheran correspondent, "to a point in which they practically strangled all individual commercial initiative in Iran". Although the monopolies showed profits in the country's budget, the correspondent adds that "they were disposed of in an unconstitutional fashion by the ex-Shah - they also found their way into the ex-Shah's private pocket".

It is thus clear that, if Allied leniency towards Iran was an error, it was an error on the right side; for events have demonstrated that the regime of the ex-Shah was as inimical to the interests of the Iranian people as it was to the Allies. The presence of the latter bars the door to subversive German activities and safeguards the common front against a German attack, and at the same time enables the people of Iran to resume the constitutional government which they desire and the economic prosperity they desperately need.

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CONFIDENTIAL

HUNDRED THIRTYFIRST BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 27TH SEPTEMBER, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. On Russian front, position in South is grave and imperils entire industrial area of Ukraine. Strategically, Russian resistance depends on maintenance of cohesion of their southern flank. Long-term view warrants optimism as Russian armies still intact, morale high and preparations known to be made for organized retreat, if necessary, on vast scale.

2. Germany is fighting to obtain Ukraine and oil of Caucasus before winter. Main thrust is therefore in South where object can only be obtained by defeat of Russian Southern Armies and supremacy in Black Sea. As against grave Russian position note immense German problems, particularly maintenance of their armies.

3. Publicize all reports of aid to Russia and action of R.A.F. on Russian front.

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1. RUSSO-GERMAN WAR

(a) Strategical appreciation.

On the long-term view of the Russo-German war, there is continued reason for confidence in an ultimate Russian victory; as against this the Germans, despite their victories, (secured at enormous cost) are encountering increasingly difficult economic and strategic problems as their advance continues.

(i) Failure of German blitzkrieg tactics.

In invading Russia, Germany relied on a short campaign. Her oil position alone imposed this limitation. At that time the Germans placed their faith in the blitzkrieg tactics which had been so successful in France. They relied on the Russians holding well-defined defensive positions which could be rapidly overrun by their panzer divisions by pincer movements. Once the claws of the pincer met, the armies so enclosed would surrender. If this theory had proved to be correct in practice there can be little doubt that the Russian army would soon have disintegrated, despite its large numbers.

But things have not happened this way. The heads of many of the German pincer movements have been cut off, and, even where they have successfully met the Russian forces so enclosed have continued to fight. Not only has this slowed up the German advance, but it has meant that they have had to fight hard with an enormous expenditure in casualties and material for what they have won.

(ii) Limitations "of time and climate".

Two factors are now of paramount importance in German strategy; the war has been in progress for three months, and winter is fast approaching. The immense expenditure of oil over this period has made the capture of Russian oil a matter of the utmost urgency, while the approaching winter will soon affect operations in the North. Only in the south can operations continue unhindered for any length of time.

From the German point of view, the capture of Leningrad is long overdue, and now a matter of immediate necessity, both on account of its far-reaching effect on German prestige, and to release the large forces engaged there to reinforce other parts of the front. Its capture would give the Germans full control of the Baltic Sea and the Gulf of Finland with resultant inestimable benefits to their general maintenance problem in the North. They hope to capture the city undamaged and to use it as winter quarters; they also place great store on the moral effect which its fall may have on Russian will to continue the fight, and the material effect on the Russian war machine through the loss of its industries. The climate here is slightly more favourable than in other parts of Northern Russia, which is an advantage to the Germans although, during November at the latest, it may be expected that fighting conditions will substantially deteriorate. But their problem is obvious. The city must fall and the investing troops must be released. Continued successful Russian resistance then, must gravely affect German plans on those fronts not so seriously affected by the approach of winter.

In the centre, a defensive role seems indicated. The capture of oil is now more important than the capture of Moscow, and in this Northern area, climatic limitations make any offensive operations improbable. It is only in the south that the Germans, by the capture of the industrial area of the Ukraine, and the oil of the Caucasus, can now hope to obtain a success with any decisive results.

(iii) The German plan in the South.

The German aim, in fact, is the rupture of the whole southern flank. An advance along the northern shores of the Black Sea without this, even though it reached the oil of the Caucasus, would not serve their purpose. Oil development requires conditions of peaceful security and unhindered communications with the Reich. These conditions can only be secured if all danger from Russian attack is eliminated, both in the Caucasus and the Ukraine - which is only feasible if the entire southern flank of the Russian armies is thrown back to a distance from which attack is impossible , and the armies generally disrupted. This leaves out the Black Sea, where the Russian fleet is still in supreme command.

(iv) Three conditions of German success in the South.

We therefore see that, dangerous as the German advance to the Caucasus undoubtedly appears, it will provide little relief to the serious German situation unless three conditions are fulfilled:-

(i) they can reach the oil of the Caucasus.
(ii) in doing so they disrupt the entire southern flank of the Russian armies.
(iii) they obtain control of the Black Sea.

This is an immense task. In view of the magnificent resistance and the orderly retreat of the Russians during the past three months and the constant reports of the high morale of their troops, it seems certain that general disintegration is out of the question. Neither does there seem to be any possibility of the Germans obtaining control of the Black Sea unless Italian naval units succeed in passing through the Dardanelles - and this would probably bring Turkey in against Germany.

(v) In the worst event.

But were the worst to happen, and the Germans secure the Ukraine and the Caucasus and be able to develop their resources undisturbed, then that again must be only temporary as long as the Russian army is intact. This army may yet have to retreat to the line of the River Volga, but here, with the industrial resources of the Ural mountains behind them, and with increasing British and American supplies, they could remain on the defensive until re-equipped and ready to take the offensive against the Nazi hordes. Only by civil revolution and / or the defeat of the entire Russian Army can the Germans overrun Russia. Neither can yet be described as even a remote possibility.

(b) Climatic Conditions.

M.Maisky's warning against the dangers of complacency (in London, September 23) was a timely one. He depreciated glib talk about "General Winter" and "General Mud", who, he said, had been reduced in rank by modern technical developments. "The Soviet people are prepared to face facts." On this factual basis it is useful to consider, without expecting miracles from the elements, the important effects which the approach of winter may exercise on operations in Russia.

(i) Murmansk.

Rain usually starts at the end of August and continues until

snow falls, which is normally at the end of September when the winter proper starts; winter conditions persist until the middle of May. There are no roads whatever in the Murmansk district, and the only means of communication in summer is the railway. In winter there are reindeer tracks which get very hard during the severe frosts. They are, however, only about five or six feet wide and the snow on either side is soft and sometimes up to seven feet deep. Transport could only be possible by reindeer, and a reindeer troika cannot pull more than a quarter of a ton. From the beginning of October until May the temperature may fluctuate between 15 degrees and 40 degrees below zero (Celsius).

(ii) Leningrad

Climatically the Leningrad district is an exception to the general continental conditions of Russia, probably owing to maritime influences. The rainfall is consequently heavier, the rainy season usually starting at the beginning of October, but sometimes before. This year Moscow has already reported (September 25) heavy rain over the whole Leningrad front. Real winter conditions, when the roads are quite impassable except for a narrow frozen strip in the middle about twelve feet wide, usually begin at the end of October, but it can be much later, as often up to the end of November alternating periods of snow followed by sudden thaws are experienced. If there are two or three days' rain at the beginning of September, movement on the roads becomes very difficult for the rest of the year, since they get very wet and the sun is not warm enough to dry them. The temperature reaches plus 30 degrees Celsius, and in September it fluctuates around zero at night and reaches up to plus 17 degrees Celsius in the daytime.

(iii) Moscow.

The rainy season usually starts at the beginning of October and continues until the real winter, which begins during the first fortnight of November and lasts until April. The temperature drops as low as minus 35 degrees Celsius in winter and rises to as much as plus 32 degrees in summer. These climatic conditions extend all the way south to the Black Sea area, though it is probable that south of Kharkov winter proper might not begin until the end of November and end weeks earlier than in Moscow.

(iv) Rostov-on-Don.

It is unlikely that real winter would start much before January and the same applies to most towns on the Black Sea littoral. At Batum it practically never freezes and the climate might almost be called semi-tropical. As regards roads in general, it may be said that the main roads are passable for mechanical transport during the whole of the winter if they are kept cleared of snow. Secondary roads and tracks are impassable during the winter because they are snow-bound, and also during the spring thaw about mid-April to mid-May.

2. ITALY.

(a) Economic Difficulties.

(i) Nazi-Fascist Policy and its Nemesis.

Organised looting under high-sounding names is now widely recognised to be the basis of Nazi Fascist economics. Rauschnigg gives almost incredible evidence of Nazi contempt for any kind of sound or just economic procedure in the days when the Nazi party was making its bid for power. "I don't mind how you get the money - but get it!" This and similar orders are quoted repeatedly from Hitler, and the witness adds, that, invariably and mysteriously, the necessary funds were obtained.

Remarkably frank statements in recent issues of two well-known Italian newspapers indicate that in Italy, where gangster methods were first developed, the nemesis of crooked and thoughtless finance is already clearly revealed. The Turin paper Stampa condemned "Italian speculation and the diabolic fact of inflation," while the Popolo d'Italia diagnosed Italy's economic dilemma as due to "turning Fascism into a joint stock company."

About a month ago Reuter reported that the lack of confidence in the value of money had reached such a pitch that Italians stampeded the land and house market in their anxiety to possess tangible property. This tendency, it may be added, was promptly encouraged by Col. Britton, London radio sponsor of the 'V' Campaign in Europe.

(ii) Autarchy.

The new dictatorships set an exaggerated emphasis on self-sufficiency. It is the economic implication of political pride. The result is a lop-sided social system. Mussolini did not want his people to import the 25 per cent of wheat which they required, but to cultivate it themselves. In consequence, self-sufficiency was achieved by cutting down consumption by about 12 % in 12 years. While the cost of living has risen by 36 %, real wages have dropped by about 16 per cent.

(iii) Imperialist Adventure.

That Italian Imperialism was as ill-planned economically as the methods of its exploitation were grisly was shown by the condition of Libya at the time of the rout of Graziani's armies. The British authorities estimated that an immediate outlay of £750,000 would be required for the bare organisation of the colony. Share-cropping reduced even the Italian peasant colonists to a condition of serfdom, while the original inhabitants of the territory were given no consideration whatsoever.

In Abyssinia, under Italian rule, a significant incident was the announcement by the authorities of a clearance scheme for the least inhabitable quarters of Addis Ababa; to which it was found necessary to add the order that, when the Ethiopians mov d out of their slums, Italian families were not to move in.

(iv) Protected Racket.

In Italy itself the industrialists of the north, who had flourished within a high wall of protective tariffs, kept their own purses full while supplying financial lubrication to the machine of tyranny. Uncontrolled expenditure, firstly on armaments, secondly on the organisation of "Fascist discipline" and thirdly on show-pieces -- equivalent of the "circuses" policy of ancient Roman Emperors -- swelled the budget deficit in six years (1935-41) from 2 milliards of lire to 28 milliards.

Hunger at a certain level has its uses in the Nazi-Fascist system of controlling populations. Movement of goods and services is determined by a "scarcity value," and artificial restrictions are imposed for the benefit of racketeers and party bosses.

The "spiral of inflation" thus takes, slowly or swiftly, its inevitable course.

(b) Operational

(i) Mussolini Worried

There are signs that Mussolini is worried about the future of Libya -- the last nominal remnant of his African Empire -- and that his nervousness is shared by official circles in Berlin. On September 16, for instance, a German High Command spokesman, broadcasting from Berlin, anticipated a full-scale offensive by Auchinleck's Army of the Nile. A number of diplomatic correspondents have suggested that one of the main items on the agenda at the recent Hitler-Mussolini meeting was discussion of the possibility of increased German aid on the Middle East front. Hitler is said to have rejected Mussolini's plea for more men and offered only air support from Luftwaffe squadrons based in Greece and Crete. An additional form of indirect German aid could be the massing of troops in Bulgaria and the threat of a Black Sea offensive in the hope of diverting a larger portion of the 700,000 Allied troops concentrated round the Eastern Mediterranean to Syria, Iraq and Iran.

(ii) The Reason

Mussolini's concern hinges very largely on the success with which both the Royal Navy and the R.A.F. have battered the slender supply line that leads across the narrow Sicilian Channel. The survival of General Rommel's African Corps and its band of Italian retainers depends on that sea passage, which is the only route by which reinforcements and supplies can reach them.

In the first fortnight of September, British and Dutch submarines sank 100,000 tons of enemy shipping in that seaway. On September 18, British submarines sank two of three 25,000-ton Italian liners carrying troops to Tripoli, while British bombers plastered the third after it had docked. That convoy was capable of transporting two complete divisions of infantry; more than half of those troops and their equipment will never see the Libyan shore. This is just an isolated incident in a long series of successful day-and-night attacks by sea and air on the Libyan life-line.

(iii) The Result

One of the results of these successes is that the nervous Italians have been forced to make a substantial increase in the escort strength of their convoys. One of these, attacked by the Fleet Air Arm on the night of September 18, comprised two merchantmen and five escort vessels. So, in addition to fraying the supply line by sinking scores of ships, British bombs and torpedoes are forcing the Italian Navy to consume more fuel than they can conveniently spare. An escort vessel does not carry food, munitions or soldiers -- the three things Rommel most needs.

Linked with these attacks that have made Mussolini's Bridge of Ships a Bridge of Sighs, are the carefully-planned aerial sorties against munitions factories in Italy and Sicily, embarkation ports, the ferry service linking Italy and Sicily, Italian coastal reconnaissance seaplane bases, and aerodromes from which Italian convoys might be expected to receive fighter support. Targets in recent weeks have included the Royal Arsenal at Turin, the munitions factory at Licata (Sicily), train ferries, landing stages and the ferry power-house at Messina (Sicily), landing grounds, seaplane bases and harbours in Greece, Rhodes, Crete, Sicily and Libya.

3. FRANCE

De Gaulle's New National Committee

(i) Hitler's Method

Nearly one-fifth of the 226 million people in Nazi-dominated Europe are Frenchmen. The French Colonial Empire and territories under French mandate have a population of 65 millions and cover nearly five million square miles of territory, including many strategic key-points of major importance (e.g., N. Africa, Syria, Indo-China). The existence of that Empire and the fact that it was, for the time being at least, out of reach of the German armies, were factors that led to Hitler's 1940 decision to occupy only a portion of metropolitan France and to sponsor the anaemic shadow of an independent French Government which set up shop in Vichy. It was a cunning decision, for it divided the public mind, not only in France but also in the French colonies.

(ii) How the Method Worked

When De Gaulle emerged as the only genuine leader of France, his greatest obstacle in rallying supporters was the existence of a French Government elsewhere. Frenchmen throughout the world were faced with a dilemma. Should they continue their allegiance to the Government of France or should they join the leader who had been condemned to death as a "traitor" and "deserter" by that same Government? Painful as the first choice was, at least it meant obeying the letter of the law. To choose the alternative was to be deprived of one's nationality and to have one's property and privileges as a citizen of France confiscated. The ordinary citizen is no gambler on uncertainties, and in the autumn of 1940 the final triumph of the Allies looked anything but certain to many.

(iii) Effectiveness Reduced

Since then the outlook for the Allies has brightened considerably, while the Vichy Government has revealed itself in its true colours. In consequence, the dilemma has lost some of its effectiveness as an instrument of Nazi policy, and this has given a fillip to the Free French movement.

More than a third of the French Colonial Empire has come back into the war against Germany. De Gaulle now has 100,000 soldiers under his orders, 1,200 pilots, 40 naval craft and 100 merchantmen. Almost daily more Frenchmen make up their minds and, sometimes at great personal peril, outwit their Nazi jailers and rally to the Cross of Lorraine.

De Gaulle's new French National Committee will be a more powerful rival to the Vichy Government than the previously-constituted Free French Defence Council, which itself will continue to function.

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CONFIDENTIAL

HUNDRED-THIRTY-SECOND BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED 29TH SEPTEMBER,,1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. On Russian front weather conditions are increasing German difficulties in Centre and North, but Russian position continues grave in the South. Against this stress urgency of German need to capture Leningrad and stabilise operations in North to release troops to maintain momentum of drive in South. Main factors in struggle are race against time, disposition and movement of reserves, and maintenance of organization and communications.

2. Be prepared for announcement of moderate Turkish trade agreement with Germany but stress main Allied interests are secured by Anglo-Turkish treaty and are at present maintenance of Turkish neutrality and preservation of status quo of the Straits.

3. Reports of increasing unrest in occupied countries should be treated as signs of dissatisfaction with Nazi New Order and growing faith in ultimate Allied victory. Discourage suggestions of revolution or organized armed resistance, but stress effects of "V" campaign.

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1. RUSSO-GERMAN WAR

(a) The urgency of British and American Aid.

(i) Morale of the Russian Army.

Hitler launched his attack against Russia on the same day and month as did Napoleon. September 14 was the anniversary of Napoleon's entry into Moscow and on that day the Moscow Radio broadcast a message to listeners in Germany and Austria: "Napoleon had no tanks and no motorised divisions; he knew nothing of blitz-krieg -- but on foot he progressed more swiftly than Hitler with all his motors." To Hitler himself the following message was sent: "At the Kremlin Napoleon read the writing on the wall which foretold his downfall but you, megalomaniac and braggart, will never see the Kremlin; you will not spend your last winter before your downfall in Moscow. Your army will freeze and be ruined somewhere on the route between Smolensk and Minsk." It is clear from reports of observers that this defiant challenge is an accurate reflection of the spirit of Russian troops in the field. They are fighting with undiminished ferocity and courage and they and their Government give every sign of continuing the struggle however much territory or industrial capacity they may lose in Europe.

Russia has now done what no other nation could hope to do. She has faced the whole might of the German war machine on land single-handed and has lived - and will go on living - to tell the tale. It is against this background that we must place reports of the high morale of the Russian Army. There have been serious losses and there may well be more losses, but as long as this high morale of the fighting soldier and cohesion in organisation and command are maintained, there is every reason for confidence in the ultimate outcome of the struggle.

(ii) The military situation.

Fighting continues with unabated ferocity throughout the entire front but, strategically, the vital sector is in the South.

Boggy ground and appalling losses are preventing the Germans from making any appreciable advance against the Leningrad defence zone and Timoshenko is hitting back, though on a limited scale, at the centre. Reports from Berlin suggest that there is an incipient nervousness in Germany over the situation on the central front where the general initiative has belonged to Timoshenko for more than a month. Despite climatic difficulties, the German High Command may have to consider an early effort to regain the initiative as Russian successes, though local, threaten to affect the morale of the German troops who are not used to being bundled out of territory which they have once captured. But too much reliance should not be placed on the conversion of the present counter-strokes into a decisively large offensive. Unless substantial reserves are available (which seems unlikely at present) any advance to the west of the Smolensk area seems beyond Timoshenko's power.

A critical phase has been reached in the south. It now seems clear that Budenny's retreat from Kiev was anything but a rout and that the bulk of his army is extricating itself and reforming for the defence of Kharkov and Rostov, by means of vigorous counter-attacks against the tips of the German pincer. Nonetheless, with the German forces on the shore of the Sea of Azov, and investing the Crimea the situation is undoubtedly ugly. Here it is the potential industrial loss that further retreats will entail (apart from the loss of naval bases in Black Sea and the threat to the oil of the Caucasus) which constitutes the immediate source of anxiety.

(iii) Russian industrial capacity.

If the Russians lose the East Ukraine and the Donetz Basin will their industrial capacity be so crippled that they will be in danger of being overwhelmed before British and American supplies can reach them in sufficient quantities to fill the gap? That is the crucial question at the moment. The following statistics may help to supply the answer. If the Soviet Armies continue to hold Leningrad and Moscow, but are obliged to fall back to the line of the Don, the Soviet Union would still have at its disposal something not unlike the following percentages: All Russian production of petrol 100, Chrome 100, Copper 100, Lead 100, Zinc 100, Manganese 65, Steel 55, power output for machinery production 50, coal 39, iron ore 37, pig iron 35, chemical industries 35, and aluminium 8. If the withdrawal is continued to the line of the Volga, these percentages would be only slightly decreased except in the case of petrol which would drop to 85 per cent. Retreat, either to the Don or to the Volga, would clearly entail serious losses in certain categories, notably steel, coal, iron and machinery production, but the only really crippling loss would be in aluminium. If the Russian manufacture of aircraft is to be kept going, supplies of aluminium must be rushed into the country. It is, therefore, reassuring to learn that the Soviet Government has been informed of the urgent steps which have already been taken to ensure the prompt supply of this metal.

The region of the Urals has now become one of the main metallurgical and armament centres of the Soviet Union, based to a large extent on local raw materials which amount to about 25 per cent of the total mineral resources of the Union. This development is in accordance with the official plan to set up heavy industries far from the vulnerable Ukraine. The heavy metallurgical industry has been greatly expanded and the region now produces at least one-fifth of the Union's iron and a quarter of steel. The first wing of the Novotagil Plant was completed in 1940 and when the combine is in full operation, as it may be now, it is estimated that it will increase the output of Ural metal by 150 per cent. In general, it can be said that, while the development of the Ural region has been spectacular, the area is, so far as we know, still dependent on the older industrialised districts of Leningrad, Moscow and the Ukraine for various types of special steel and machinery and for many kinds of machine-tools.

(iv) Summing up.

To sum up: The Ural Region is a great reserve arsenal which can keep the Soviet armies going, provided Britain and the United States meet the present emergency by pouring in through Persia large supplies of tanks and aircraft and then lend powerful aid by supplying industrial equipment such as machine-tools. Swift action is necessary and drastic stepping up of British and American war production. Both Governments are alive to the fact that ultimate victory depends on those conditions being fulfilled and the Moscow Conference will work on that basis. The Russian armies are hard-pressed but their morale is not broken and their cohesion has not been lost, while the Germans are being made to pay an appalling price for devastated territory. In fact, the Russian strategy of attrition is working out substantially according to plan. If the British Empire and the United States fill in the gaps in their supply system, as they must and will, the ultimate issue can hardly be in doubt.

(b) Oil and the Trans-Caucasus.

Nearly nine-tenths of the oil refining capacity of the U.S.S.R. is located in the Trans-Caucasus. For that reason the decisive phase in this gigantic struggle might well take place in that region. But the land advance in this direction, threatening as it appears to be, is not sufficient, by itself, to obtain the Nazi objective. It requires control of the BlackSea which, in its turn, vitally concerns Turkey.

(i) The Black Sea.

Soviet control of the Black Sea for the present checks enemy developments. So long as it continues the German land advance to the Sea of Azov cannot be supplemented by an expeditionary force across the Black Sea from the Bulgarian ports of Varna and Burgas. Russian domination in the Black Sea can only be overcome by the destruction of the Soviet Navy.

The Germans can divide this problem into two specific parts. The first is the capture of all Russian naval bases in the Black Sea (from which the Soviet Fleet must operate) coupled with constant dive-bombing attacks on the Fleet with shore-based aircraft. This part we now see in operation; its latest development is the German attack on the Crimea. The second is sea-borne attack on the Soviet Fleet, which is only possible if Italian warships are able to enter the Black Sea.

(ii) The Crimea.

In the Crimea stands the important naval base of Sebastopol. Odessa holds out but is useless as a naval base. If Sebastopol falls, the Soviet Fleet will be dependent on Novorossisk, which can be rendered untenable by constant bombing by aircraft based on the Crimea. Such aircraft could also bomb Batum. The occupation of the Crimea then, would go a long way towards completing the first part of the German problem.

German concentrations in the Isthmus of Perekop are believed to be particularly strong. They are developing their land offensive war with heavy artillery bombardments and it is reported that parachutists are being employed on a large scale, although this report lacks confirmation. There are three main possible approaches to the Crimea for the Germans -- via the Perekop Isthmus, the Railway causeway and where the channel separating the peninsula from the mainland is narrowest and accordingly bridgeable. The Germans apparently hold positions from the west of Perekop to the east of Genichesk, the latter point being where they have reached the Sea of Azov.

The operations may prove to be hazardous as the Russians are reported still to be in possession of Kherson (on the Dnieper 75 miles N.W. of the Isthmus) and a successful Russian blow at the lower Dnieper would isolate the German attacking troops.

Present reports show little progress is being made but the threat is formidable. The Russians however will fully realize the danger and if Leningrad and Odessa are criteria, their preparations may be relied upon to be equal to it.

(iii) Turkey.

For the second part of the problem (a sea-borne attack on the Soviet Fleet) the presence of an Axis fleet in the Black Sea is essential and there is every indication that Turkey is resisting and will continue to resist the demands for the passage of belligerent warships through the Straits.

The thermometer of German pressure is now primarily their advance towards the Caucasus but Turkey, with Allied troops on three of her frontiers, and British and American manufactures and armaments arriving at her ports, is in a strong position to withstand both diplomatic and commercial pressure.

Trade negotiations are now in progress at Ankara in which the delicate issue of chrome is uppermost, but are not proceeding as smoothly as the Germans would like. So far as can be foreseen the most that Germany can hope for from these negotiations is that Turkey may offer consolation in the form of a carefully-guarded trade agreement.

2. GERMANY.

Reactions of the German people to the progress of the War.

(i) German propaganda treatment.

Mr. Maisky, the Soviet Ambassador in London, has announced that his Government has put German losses since the beginning of the invasion at three millions and there is no ground for thinking that this estimate is very wide of the mark. That being so, how are the German people reacting? The answer is that it is only just now beginning to dawn on them. German propaganda is following its usual technique of singing two songs, the second theme gradually superseding the first.

(ii) The first theme - low casualties.

Until recently the German public was assured that casualties were surprisingly low having regard to the scale of operations. When Churchill stated that German losses during the last three months have exceeded those suffered during the whole of 1915, Dr. Goebbels produced an article in Das Reich of September 12 in which he claimed: "Our losses keep within normal limits... They do not give cause for apprehension". A supplementary device is to broadcast impressive accounts of intensive air raids over Britain with the obvious purpose of convincing the public that the vast operations against the Soviet Union are not so costly to the Luftwaffe as to prevent it from maintaining large-scale air attacks on the west at the same time. The fact that the air raids over Britain have virtually ceased since the opening of the Russian campaign is of course only known to those Germans who risk their lives by listening to the B.B.C. broadcasts.

(iii) Defects in the first theme

In general, propaganda and other devices are still preventing the German people from realising the full extent of the recent casualties, but, where the losses from one particular town or community has been particularly heavy, this has not been possible; and the effect on the local morale has been considerable. This is especially true of places in South Germany which have not yet suffered air raids and which have now felt the full impact of the war upon themselves for the first time. For example, when news reached a town in this region that a large
wn number of men had fallen in Russia flags were promptly/ at half-mast all over the town despite the fact that flying flags in Germany has long been subject to official orders. On this occasion the local police and Gestapo were helpless and it was not until the arrival of reinforcements from outside "to finish this nonsense" that the citizens were compelled to strike the flags.

Similar incidents are reported from elsewhere and indicate the first signs of dawning disquiet. Another indication of the same trend are the reports that German soldiers are returning from the Russian front utterly changed by their terrible experiences.

(iv) The second theme - the "glittering prize".

To counter this, the propaganda machine is now introducing a second theme which claims that the glittering prize within their grasp makes colossal sacrifices by the German people well worth while. "If there is any sense", writes Dr. Ley in the Angriff, "in God's creation, our just cause must conquer; for we Germans have bled and made sacrifices like no other people on earth".

Again, the Frankfurter Zeitung in a recent article wrote: "If these problems of the east are solved to our advantage, then nothing more, so far as man can see, can threaten or even shake our Continental position". Available evidence clearly indicates that the German people as a whole accept the thesis that they must go on; that the destruction of Soviet military power and the exploitation of Russian resources are essential if they are to become permanent masters of Europe; but they accept this with weary resignation and apathy.

(v) German morale generally

A correspondent in the pro-German Stockholm paper, Aftonbladet, has remarked on "the deeply resigned tiredness and war-weariness" of the people of Berlin, where there is universal longing for an early peace and their fear of heavier air raids this winter is becoming an obsession. Grumbling is becoming more widespread and the leader of the Womens Party Organisation in the Hamburg Area recently suggested a competition among women to see who complained least! It would of course be folly to assume from these symptoms that the collapse or even a serious deterioration in German morale is impending. The Germans are the most docile people on earth and until recently the experience of the present war confirmed them in their attitude towards war in general as a profitable adventure carried out on foreign soil and at the foreigners' expense. Apathy means obedience, and the habit of obedience is strengthened by fear of the fury of raped Europe. That terrifying spectre, if nothing else, will continue to hold them in Nazi thrall as long as the German armies continue to advance. Not until they stagger back on the battlefield and cower at home under a continual hail of bombs will their war-weariness be converted into revolt against the war. And not until then they will they listen to Mr. Eden's guarantee that the destruction of German military power will not be followed by economic devastation.

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CONFIDENTIAL

HUNDRED-THIRTY- THIRD, BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 4TH OCTOBER, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Absence of spectacular news of Russian campaign should in no case be treated as lull in operations, which continue fiercely over whole front. Most immediate danger is in Ukraine, but resistance of Leningrad and Odessa typify Russian readiness to defend vital points. Stress speed and unanimity shown at Moscow Three Power Conference.

2. Limited Turko-German trade agreement saves German face but is important diplomatic success for Turkey. Publicise all reports of increasing Turkish trade with Britain and U.S.A., and Turkish participation in Jerusalem conference of British Commercial Corporation and Mideast countries.

3. Fresh wave of German ferocity in occupied countries reflects German administrative difficulties and failure of attempt to solidify "New Order" with "Holy War" propaganda. Contrast security and freedom of local administration in Mideast countries with shootings and repression in occupied Europe.

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MAS.

1. GERMANY

Hitler's Speech.

The following points may be used in publicity dealing with Hitler's "Winter Help" speech in Berlin (October 3rd), generally regarded as his most apologetic statement since the war began.

(i) The speech was intended directly for the German people, and was clearly a reply to criticism and despondency inside the Reich.

(ii) Hitler devoted himself almost exclusively to the war with Russia. There was no mention of America, or of air raids (except in Goebbels' introductory reference to thousands of German women and children evacuated to safe areas). Britain was treated as a power with which Hitler had striven long and fruitlessly to maintain or regain peace.

(iii) It was necessary to excuse himself for the war with Russia by repeating the accusations against Molotov made on the day of invasion, and by the absurd allegation that Russia had been about to make an overwhelming attack on a thinly-held German frontier. "A decision in the west with England which would have absorbed the whole of the Luftwaffe was no longer possible, for in my rear stood a state which was getting ready to proceed against me".

(iv) He made no mention of German losses, but endeavoured to allay anxiety by the bluster that "German communiques are documents of truth -- they need no confirmation". He also produced the most fantastic figures for Russian losses that have yet come out of Germany - 2,500,000 prisoners, 20,000 guns, 18,000 tanks and over 14,500 planes destroyed.

(v) This time there was no more talk of "a decision in 1941" or even in 1942. Instead he used the phrase "when once the war will have been won". In this case a verbal ambiguity of the German language fails to distinguish between the words "when" and "if", both translatable by Wenn.

2. RUSSO-GERMAN WAR

(a) Allied Aid to Russia.

Two features of the Three Power Conference which met at Moscow on Monday (September 29) call for special comment. The first was the remarkable speed with which complicated deliberations have been conducted. A general realisation that no time must be lost gave the Conference a unique character, and enabled the conclusion to be reached 48 hours ahead of schedule that Russia will obtain from Britain and the U.S.A. practically everything she has asked for. The comprehensive character of the planned assistance is indicated in the division of the delegations into six committees for the Army, Navy, Air, Transport, Raw Materials and Medical Supplies.

The arrangements entered into are not one-sided, for Russia can supply needed raw materials to the Allies (Mr. Harriman, it may be noted, spoke of the U.S.A. as an "ally" of Britain, though a non-belligerent one.) Mr. Lawrence Cadbury, member of the first economic mission to Russia, mentioned on his return to London that at Archangel a British convoy had been speedily turned round to take back cargoes to Britain.

The second notable feature of the Moscow discussions is the cordiality and confidence in which they have taken place. In any other atmosphere progress could not possibly have been so rapid. Trade talks between well-disposed nations often take weeks and months. Military consultations may take even longer. These questions of

supply had an urgent military character, and only complete trust and understanding between the Governments of the three great nations concerned could have expedited them so remarkably. It also implies very efficient preliminary work by the Allied delegations and the representatives of the Soviet.

Personal conversations between M. Stalin, Lord Beaverbrook and Mr. Harriman are reported as highly satisfactory. The presence of M. Litvinov at some of these interviews is interesting, suggesting as it does the return to favour of his policy of collaboration against the aggressor on the "peace is indivisible" theory.

(b) The Front at Present

German reactions to the question of Allied aid to Russia have a bearing on Germany's own campaigning problems. They are almost identical with the propaganda lines put out over a long period in regard to American aid to Britain. There are, that is to say, three distinct themes: (1) Britain and America do not want to aid Russia. (2) Even if they do, they cannot transport supplies. (3) Even if they can transport supplies they cannot do so in time.

In these "arguments" is reflected Germany's own race against wastage and against time (see 130th Guidance Notes, Section 1(a)). Nevertheless, time and transport are fully recognised by the Allies as vital factors in the problem of supporting the Russian fighting machine. Nor does the scanty news at present coming from the front indicate anything in the nature of a lull in fighting.

(i) Northern Sector.

German pressure on the Finns to continue the war has met with an obstacle in Britain's firm note to Finland. But the importance to Russia of the northern supply-routes via Murmansk and Archangel is a strong reason for Germany to continue that pressure. The Finnish claim to have captured Petrozavodsk on the Murmansk railway, like their earlier claim to have cut the railway at Kandalaksha, remains unsubstantiated.

(ii) Leningrad.

The stubborn Russian defence and counter-attacks continue, and such local changes as have occurred are more in favour of the defenders than the Germans. It is clear that German plans for an early capture of the city, a death-blow at the Russian Baltic Fleet, and the development of a northern arm for a pincer-movement on Moscow have been checked.

(iii) Central Sector.

No details are available of Marshal Timoshenko's counter-thrusts, but it is clear that they are continuing with vigour.

(iv) The Ukraine.

Heavy fighting, following the Russian evacuation of Poltavo, 80 miles south west of the important industrial town of Kharkov, proves that Marshal Budenny, whose army the Germans claimed a fortnight ago to have trapped east of Smolensk, has succeeded in re-grouping his forces.

At the same time the Germans have announced that their own forces in the Ukraine are being regrouped, which suggests that at the moment their drive towards Kharkov has been halted.

One interpretation of this German regrouping is that of Major Alan Murray, who said (October 2):

"It may only mean the consolidation of new areas they have entered since the fall of Kiev; it may on the other hand refer to the need of a fresh distribution of their troops to prepare for the winter campaign, and it may also mean that certain troops are being transferred to other fronts in preparation for a new drive on Moscow.

"This might well be in a north-easterly direction, with the area around Glukhov as a starting line; the drive would, I imagine, be aimed at Kursk, just north-east of Glukhov, and thence up the railway line to Orel and Tula and so on to Moscow".

(v) The Crimea.

The German advance of seven miles to the south of Perekop, confirmed by the Russians, means a partial penetration of the Isthmus bottleneck, which is some ten or twelve miles long. But they do not appear yet to have penetrated to the Crimea itself. The strategic value of the Crimea to both attackers and defenders is such that fierce efforts on both sides are to be expected.

3. TURKEY.

New Turko-German Trade Agreement.

(i) Relations with Germany.

No one knows better than the Turks that mingled threats and promises which lead to trade agreements are familiar milestones on Hitler's way to easy conquest. The object lesson of the Balkans has been well learned in Ankara.

At the same time, being a non-belligerent, Turkey is ready to buy from anyone who can deliver the goods. If Germany had shown that she was better able to do this than Britain, Dr. Clodius might well have fared better in his recent talks with the Turkish Government. But, whereas Britain delivered £3,600,000 worth of goods in the first eight months of this year, Germany found herself unable to fulfill her contracts promptly, with the result that her liabilities for Turkish goods received in recent months rocketed to £8 million.

This one-sided arrangement might have worked with countries less able to assert their independence. But Turkey is strong and has the backing of stronger friends; so Dr. Clodius for the first time in his career, could not use the imminent threat of invasion as an argument in favour of Turkey's taking the line of least resistance and doing as Berlin dictated. Instead he had to enter negotiations as an equal, not a superior. He had also to find excuses for Germany's failure to carry out her previous contracts. Turkey wants trade, but her friendship pact with Germany will not dissuade her from taking that trade where her interests will be best served.

(ii) No Chrome for Clodius.

The issue of chrome, Mr. Agronsky reported from Ankara on October 1, had been introduced by Germany more than seven weeks ago, and since his arrival Clodius had steadily increased his pressure on the subject. The industrial value of chrome for German war purposes was actually eclipsed by the diplomatic importance which the issue assumed in view of Turkey's previous arrangement to supply Britain with all her exportable surplus of this commodity. The Turkish chrome is in fact being shipped direct to the U.S.A. for British war purposes. It was thus a test point to which America and Britain, no less than Germany, attached great weight.

By refusing to deliver chrome to the Reich, Turkey has not only maintained firmly her neutrality and her commercial integrity, but has demonstrated that she is not afraid of Germany. Clodius was forced on the defensive, and the clearing agreement reached (involving about £ T 100 million for the exchange of German big guns, heavy machinery, locomotives and chemicals with Turkish tobacco, cotton, olive oil and a small quantity of manganese) shows that the Turks had succeeded in reducing the whole business to one of matter-of-fact trade.

(iii) Relations with Britain.

British goods continue to pour into Turkey at the rate of about £500,000 worth a month and every effort is being made to speed up deliveries. On September 26 the Turkish Commerce Minister signed a large contract with Lord Carlisle for the improvement of harbour facilities at Alexandretta and Mersin. A conference is to be held shortly in Palestine to discuss the coordination of supplies and transport problems, including quicker clearing of Indian goods through Basra and despatch of merchandise from South Africa and Egypt via Haifa. Representatives of the United Kingdom Commercial Corporation, South Africa, Iraq, Iran, Palestine, Syria, Egypt and Turkey will attend.

Before the war, Turkey relied to a very large extent on trade with Germany, but Turkey knows the danger of allowing the Nazis to control her economic life. Steadily she is extricating herself from the danger by importing more and more goods from the British Empire and America, who are not in the habit of using trade agreements as political levers and stepping stones to conquest.

4. IRAN

Iranian Territorial Integrity.

Axis broadcasts in Arabic and Persian have recently alleged that the Soviet contemplates the annexation of a part of north-western Iran, and that the British are ready to connive at such a plan.

Insofar as this false allegation has any basis at all, it may derive from reports of Armenian desires for the independence of Azerbaijan.

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While care should be taken not to spread rumours of this nature further than they have already reached, the following notes may be used in countering them where they are found to be current.

(i). Points (1) and (2) of the Atlantic Charter, which has behind it the sanction of American policy and public opinion, respectively declare that Great Britain and the United States "seek no aggrandisement, territorial or other", and "desire to see no territorial changes that do not accord with the freely expressed wishes of the people concerned." These and all other principles of the Charter were accepted by M.Maisky on behalf of the Soviet Government at the Inter-Allied Conference in London on September 24.

(ii). When military action became necessary in Iran the Allied Governments declared their intention to respect Iran's territorial integrity.

(iii). The Axis allegations were made on the same day (October 2) by both Berlin and Rome, and in Arabic and Persian broadcasts only. This clearly proves the disruptive intention behind the falsehood. It carries to the ether the fifth-column work against Iranian and other interests which was checked by Allied action, and thus it confirms the necessity and justice of that action.

5. OCCUPIED EUROPE.

(a) Nazi & Quisling Administrators.

The continued resistance of the Russians on the Eastern Front; the growing momentum of Allied war effort on land, air, and sea; together with the sense of desperation to which German tyranny and rapacity has driven the occupied countries has resulted in what Mr. Churchill described as an "upsurge of the slave countries of Europe", which has already washed away more than one trusted Nazi tool.

(i) Bohemia and Moravia (the 'protectorate' of Czechoslovakia).

Sabotage in Czech factories and the Skoda works, mysterious breakdowns and rail derailments, and the passive resistance of the whole population, caused the Nazis to replace the 68-year old "Protector" von Neurath by a ruthless Black Guard Group Leader - Reinhard Heydrich. Heydrich has lost no time in justifying his title of the "Butcher". He declared a state of emergency in nine districts of the 'protectorate' and has already shot 126 Czechs and handed 256 more into the hands of the Gestapo. General Elias, the puppet-premier, was arrested for having failed to curb the activities of his fellow-countrymen, and is now awaiting execution in Germany.

(ii) Slovakia.

Dr. Tuka, the head of the puppet-government of Slovakia, has been reported to have narrowly missed death at the hands of assailants made desperate by the fruits of his policy of collaboration with the Nazis. Slovak casualties at the beginning of the Russo-German conflict were estimated to be well over one hundred thousand men. The result of this huge loss in man-power in a small satrapy like Slovakia was disastrous, for it dislocated the agricultural, industrial and social life of the province. The report that Dr. Tuka is now in disgrace shows that like General Elias he too has failed in maintaining the Nazi order in the country under his charge.

(iii) Yugoslavia.

The two Quislings of Yugoslavia - General Neditch in Serbia and Anton Pavelitch in Croatia - have also met with similar misfortune. After a fortnight of forming his "Serbian Government" at the orders of the Gauleiter Danckelmann, General Neditch complained that "outrages in Serbia are leading to civil war," and begged those who had 'gone astray' to abandon their weapons and leave the woods. Serb guerillas, however, continue to operate from their mountain fastnesses against the Nazi soldiery; and the Sarajevo-Brod and the Belgrade-Nish railways have been destroyed at various points.

In Croatia, the notorious Pavelitch, unable to control the rising discontent against the Axis, sent his Emissary Segvitch to beg for more reinforcements from Rome. It is now reported that the Nazis, dissatisfied with Pavelitch, have turned their attention to Dr. Matchek in the hope that he will prove more successful. It is not known whether Dr. Matchek, who has great influence among the Croats, has agreed to form a new government. His past record has been one of consistent opposition to Axis interference in Croat politics.

(iv) Norway.

Faced with increasing sabotage activity in Norway, Reich Commissar Terboven felt compelled to supersede the authority of Major Quisling for five days in September and gave violence free rein in the hope of re-establishing effective control. Martial Law was proclaimed, trade union leaders, professors, doctors and barristers were executed, and reinforcements of the Reichswehr and the Gestapo on their way to the Eastern Front were diverted to Norway. After a week of mass execution and terror, the state of siege was lifted and Major Quisling was given a new lease of life.

(b) Fresh German Atrocities.

The Germans, however, continue to devise new methods to terrorize the peoples of the occupied countries. In France people are being executed without any charge or trial, and Nazi hostage-terrorism which began in Poland and has since been extended to France has now been introduced in Belgium. Twentyfive Belgians were held as hostages at Tournai for the killing of two German policemen who were engaged in investigating the shooting of a pro-Nazi Rexist leader. In Holland five Dutchmen were executed for listening to British broadcasts.

There are German victims of the Nazi terror too. Lists of those condemned to death for listening to foreign broadcasts appear daily in the German Press, and the Hamburger Fremdenblatt reported on September 16 five such executions in Berlin. Four of these were for "attempted treason" which can cover the mere voicing of discontent with Hitler's war fever.

(c) What they mean.

(i). The fact that France is going through its second year of oppression and that other countries are still kept under the heel by new and ever-increasing methods of terror shows quite plainly that the Germans have failed to reconcile the occupied countries to their rule. Rule by Quislings has failed, and has in many instances compelled the tyrant to reveal his real hand -- without any decisive result. Quislings have found it difficult to administer their countries under a system which reserves for the Germans all the vital functions of Government, leaving but a skeleton to be administered by the local puppet. This has not only weakened his powers, but has left him to face all the criticism and hostility of the civil population.

(ii). Fresh repressive measures by the Germans are also a reflection of the failure of their anti-Russian "Holy War" propaganda which was intended to consolidate the "New Order". Having failed to recruit volunteers from the occupied countries, the Germans have now adopted more direct methods to enlist European aid. Hungarians, Rumanians, Bulgarians and Slovaks have all been asked to contribute considerable numbers of troops for the Eastern Front.

(d) A contrast.

While in Prague Czech scientists and professors are being executed by the Nazis, in London there have met in Conference scientists from all parts of the world to help in constructing a juster and more reasonable scheme of things. England has long been the refuge of savants who have fled from oppression or been expelled by the German Government.

While countries under German domination have their assets plundered, their food and raw materials carried off, and their whole economy perverted to German needs, Great Britain offers to countries which come within her sphere of influence or defensive operations, not only economic stability for the present, but the opportunity of sharing in future commercial expansion. In the Middle East, for instance, countries with a shaky exchange, much disastrous speculation and constant bread-lines, have been afforded financial stability by the sterling link, while distress is alleviated with food transported from different parts of the Empire.

Where British troops have entered, their operations and garrisoning have involved no charge upon the local governments or population. Reasonable and binding agreements have been entered into with the governments concerned, in whose hands administrative powers and the execution of justice remain.

It is a significant fact that, while Hitler's call to the subject nations of Europe to join him in crushing Soviet Russia has met with so poor a response, Britain's call to crush him instead has not only the assistance of the United States but the unanimous support of the representatives of European nations assembled at the recent Inter-Allied Conference in London.

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HUNDRED-THIRTYFOURTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED THE 6TH OCTOBER, 1941

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POLICY

1. On Russian front, German situation, in face of continued resistance with winter approaching, demands an all-out effort. General position is thus critical for both sides, but long-term optimism is still justified.

2. Rumours of Anglo-Russian collaboration in defence of Caucasus need not be countered but should be treated with reserve. While avoiding detailed speculation, opportunity should be taken to stress paramount necessity of all measures for Mideast defence.

3. Increasing resistance in occupied Europe is long-term factor for Allied victory, but premature expectations should be discouraged. Especially in Italy reports of serious unrest are probably part of German manoeuvre to tighten control.

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1. RUSSO-GERMAN WAR.

(a) General Situation

Although Hitler's latest speech has been correctly interpreted as an effort to allay scepticism and dissatisfaction within Germany, his

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reference to operations portending "new and enormous happenings which will smash our enemy in the east", is regarded in London as probably an accurate forecast of what the German High Command hope to achieve before winter intervenes.

The likelihood that an intense German offensive is about to be or is already being launched, with the object of battering in Leningrad, enveloping Moscow, overrunning the Eastern Ukraine and capturing the Crimea, gives the present situation a critical character. It should be remembered that it is a crisis for both sides, with immediate danger to the Russians but with long-term considerations still in favour of the defence.

(i) A Great Opportunity.

It would be criminal folly to assume that winter conditions (dealt with in part (b) of this note) will provide Russia and therefore the allies with a breathing-space during which intense effort can be relaxed. On balance, winter can be reckoned as an asset of some importance, but only if the depleted resources of the Soviet Union are made good by a mighty flow of raw materials and equipment from the British Empire and the United States. The British and American delegates to the Moscow Conference know exactly what Russian requirements are, and they have guaranteed that they will be met in every case - and promptly.

The magnitude of the efforts already being made by British could not, for obvious reasons, be stated in the form of precise statistics but it can be said that they are startling. A good beginning has been made: it is up to all the nations of the British Commonwealth and their American friends to work and produce as never before. The course of events during the next few months in the Russian Caucasus may well be the great turning point in the war.

In maintaining the Soviet armies in the field we have an opportunity of engaging and wearing down the German military machine on the Continent of Europe, in association with a powerful continentally -- an opportunity unhoped for since the fall of France. ??

(ii) Middle East Battleground.

It is not unlikely that the great quadrilateral lying between the Caspian Sea and the Persian Gulf and the Black Sea and the Levant will become the main battleground where the armies of the British Empire and the Soviet Union will together face the Nazi hordes and decide the destiny of civilisation.

An inseparable adjunct to that joint front is control of the Mediterranean. While duststorms for the moment impede aggressive tactics outside the perimeter of the Tobruk defences, British submarines strengthen the Nile Army and, indirectly, the Russian army of the Ukraine, by destroying German and Italian troops on their way from Sicily to Libya, and bombers of the R.A.F. strike again and again at Benghazi and Tripoli and at military objectives in Sicily.

(iii) Importance of the Central Sector.

The part being played in the Russian defence plan by the central army under Marshal Timoshenko is of great importance for the understanding of the changing trends in the German offensive. In their initial assault, which caught the Russian armies in the act of deployment, the Germans selected for their main thrust the White Russian front, covering Smolensk and Moscow. In the third day of the offensive, German tanks passed south of Vilna and the Russians began to talk of the Minsk area. After nine days fighting, the capture of Minsk was announced. On reaching the River Beresina at Borisov and Bobruisk, the Germans were held for many days. By the middle of the third week the initial impetus had been lost and the thrust began to weaken. The pace of this first German drive had been over twenty miles per day.

After careful preparation, the second offensive was mounted. On July 11, Vitebsk fell to the Germans after fierce fighting and, with characteristic optimism, they claimed that the route to Moscow was open. Five days later, their armoured units reached Smolensk. The pace of this second thrust had sunk to 12½ miles per day --- a fall of about 40 per cent. Not only was the advance slower, but shallower.

Since then two and a half months have passed and the Germans are no further advanced along the road to Moscow. Instead, Smolensk forms the head of the German salient which is being assailed on both sides by Timoshenko's counter-attacks.

While it is true that many commentators have without sufficient warrant exalted Timoshenko's counter-blows into a major counter-offensive, threatening the central communications of the German armies, the fact remains that his skilful and stubborn rearguard actions foiled the original German plan of driving a huge wedge on to Moscow and then wheeling eastwards to envelop the whole Ukraine, in conjunction with von Runstedt's army further south.

(iv) Effects to North and South.

The existence of a firmly-held centre is exercising a vitally important influence over developments on both the northern and southern wings. Having failed to strike at the heart of Soviet resistance by a direct assault on Moscow, the German Command adopted the alternative plan of capturing Leningrad, thereby destroying Russian sea power in the Baltic and enabling their reinforced army to strike at Moscow from the north-west.

There can be little doubt that Marshal Timoshenko's increasing pressure round Smolensk has pinned down German forces which, if they had been released to reinforce the drive against Leningrad, might have won a decisive battle. As it is, the epic defence of Leningrad itself has already inflicted appalling losses on von Leeb's forces (now in a sea of mud and in some places forced into trench warfare) and bids fair to thwart the second German bid for the conquest of European Russia.

Finally, Timoshenko's defence of the central sector is of vital importance, in relation to the German drive into the east Ukraine and Donetz Basin. It is a mystery why he did not make a strong effort to amputate the encircling German arm, extending from Gomel, which effected the capture of Kiev, but it is true that a German advance from Poltava to Kharkov will expose a long and dangerous flank to Timoshenko. To this should be added the fact that so long as the Russians maintain their resistance to the east of Kiev, von Runstedt will be compelled to keep there strong forces which are urgently needed in the Crimea and the Donetz Basin.

Although the Russian army of the south has been able to extricate itself from the German pincers, its powers of resistance must be gravely impaired, unless powerful reserves can be brought quickly into action.

Nevertheless, it is true to say that Timoshenko and Voroshilov have, by their stubborn resistance, forced on the enemy the dreaded winter campaign and, what is even more important, compelled him to develop his advance in wrong rotation.

(b) When Winter Comes.

(i) The Transport Question.

An interesting admission in Hitler's speech lay in the sentence: "There exists only the transport problem". Typical of frequent German broadcasts for home consumption is that which on September 29 likened the roads to the front to ploughed fields which could not absorb the rain which has been falling heavily in both the Leningrad and Ukraine sectors

"Our clutch", the narrator continued, "kept slipping like patent leather shoes on a dance floor. Our 30 horse-power gave up so that we had to get four real horses, which eventually pulled our car along ...... day and night our road-building companies, as well as crowds of prisoners, are at work to remove the mud. The spade is of more importance here than the rifle."

Judging from temperature charts such conditions can be expected to continue in the Donetz Basin and the Crimea until the middle of November. From then onwards, the temperature drops rapidly and ceases to rise above freezing point throughout Russia. Everywhere along the front continuous frost will be an aid, rather than a hindrance, to transport. By using thousands of Russian prisoners and the forced labour of peasants from occupied areas, the Germans will be able construct solid tracks on the frozen snow, just as they claim to have been able to alter the gauge of long stretches of Russian railroads.

(ii) <u>Oil and Hard Weather</u>.

A far more serious difficulty will be the adaptation of petrol to hard weather conditions. By incorporating more volatile elements, such as natural gasolene, petrol can be sufficiently doctored to vaporise satisfactorily at anything down to 25 degrees frost. Below this temperature difficulties would begin to occur and it is very doubtful whether petroleum could be treated so as to function at a temperature of 75 degrees frost, such as is often experienced in the areas round Leningrad and Smolensk.

The sudden drops in temperature, which occur frequently during the Russian winter, might also render petrol useless.

Lubricating oil is even more difficult to adapt, since the lower the temperature the thinner must be the oil, in order to allow for thickening, and the thinner the oil the greater is the danger that an engine working under heavy pressure will seize. These are difficulties for both sides, but it would be wrong to assume that major operations will cease or that the German pressure will relax noticeably.

<u>(iii) The Physical Test</u>.

The real test will be one of sheer physical endurance. During the Russian winter, intense cold in still air is hard to bear, but when the northerly and north-easterly winds begin to sweep across the frozen plains, few can withstand the effects of prolonged exposure. In the coming contest of endurance, Soviet troops will be more inured to their own climate and better protected against its rigors. There have been reports of specialised training in Siberia by Russian troops picked for winter warfare.

The Greek Prime Minister recently reported in London that when the German armies arrived in Greece they immediately ransacked shops for underclothing, taking even women's woollen underwear. Russian reports state that German soldiers are commandeering all the warm clothing of peasants in territories which they have overrun.

Before the war, Germany imported 70 per cent of her wool requirements of which 80 per cent is now cut off by the British blockade. Russia, on the other hand, still has 80 per cent of her wool well behind the fighting line, together with the bulk of her furs.

2. ITALY

(a) Unrest in Italy.

Reports from Italy during the last few days testify to the simmering unrest in the country. Shortage of food and milk, irregularities in the Stock market, perpetual price changes, unbridled speculation and general lack of confidence in the Italian lira have all been the subject of strong criticism in the Press. Anti-Fascist demonstrations are reported from Sicily and acts of sabotage have occurred in certain factories working for the German war-machine in the North.

(b) What it means.

Though the gravity of the internal situation in Italy cannot be doubted, and it is possible that the average Italian is war-weary and regards the Nazis as "Gente brutta" (uncivilised people) it should not be imagined at present that he is in a position to change the policy of his government or to better his own condition. Italians today are helpless for they have to contend not chiefly against their own regime, but against the ubiquitous Nazis who now run and control the administration of their country. It is even probable that some at least of the reports of Italian unrest have been inspired by the Nazis themselves in order to justify their attempt to secure yet firmer control over Italian affairs.

(c) German Stranglehold.

In Hitler's philosophy Germany may have friends and partners, but never any equals. Italy is in the Axis partnership, but this has not prevented her from becoming a camp follower of Germany.

A few instances of how this "Axis brotherhood" has worked out in practice are detailed below:-

(i) Italy entered the war with the cry for Corsica, Tunis and Savoy on her lips: today she is not allowed to occupy even a town in Savoy, to say nothing of the French Empire in Africa. Hungary, traditionally an Italian sphere of influence, has fallen under German, rather than Italian control. Nor has Italy been allowed to take even a nominal part in the vital negotiations between Vichy and Berlin.

(ii) Germany has now more or less direct military control in Italy. About 50,000 German troops were reported to have arrived at the ports of Bari and Naples last December. In addition to supply trains, an artillery regiment, an infantry regiment and an armoured division passed/Carinthia this January. Though these forces were intended for Libya, the Germans secured military infiltration into Italy, an advantage which they still retain. Important staff talks set up a joint Nazi-Fascist Command which allowed the Germans a free hand in Italy.

/through

The resignation of Marshal Badoglio was clearly not due to the Albanian issue alone; the state of Italo-German relations had a good deal to do with it.

(iii) Economically, the existence of Italy depends on German pleasure. Italy needed oil, but it was Germany that occupied Rumania. By one stroke Hitler can starve Italy of coal, iron-ore, timber, zinc etc. The German-Italian agricultural agreement is word for word a replica of similar arrangements imposed by Germany on occupied countries. Italian labourers have been conscripted -- often by press

gang methods -- for compulsory labour in Germany.

(iv) Hitler's real grip on Italy is maintained, however, by the agency of the Gestapo. This secret German police controls all the key positions in vital industry, in important Italian ministries and in the politico-economic spheres of activity. When the Fascist regime reeled under the impact of military defeat in Libya during January and February this year, and the wheels of government almost came to a standstill, power passed into the hands of the Germans, who were prepared for it and had made all the necessary arrangements. Italian censorship is a formality. German censorship is superimposed upon it.

(d) Mussolini's Quandary

Faced with internal discontent and the fact that his carefully nourished Fascist State now harbours "Democrats, Socialists, Freemasons and Liberals" Mussolini finds that the only way to retain his authority is to fall back on the unwelcome Germans. A wholesale purge amongst the lower ranks of the Party seems to have been effected in the earlier part of the year; a more determined purge may well be imminent now -- with the economic unrest in the country providing the most plausible excuse.

It will pay the Germans also; for, isolated from faithful and well-meaning followers, Mussolini will become more amenable to German pressure. The dismissal or convenient deaths of people like Balbo, Badoglio, Grazziani, Starace and Sebastiani, thus acquire a new significance and may be the prelude to complete domination of Italy by the Germans.

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CONFIDENTIAL

HUNDRED-THIRTYFIFTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED THE 10TH OCTOBER, 1941.

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POLICY

1. On Russian front new German offensive has made some progress and general situation remains critical. Stress German need of success before winter and allied aid become serious obstacles. Russian morale and fighting power remain high.

2. Further Turco-German trade negotiations reveal growing Turkish strength and confidence in British ability to deliver goods as well as in ultimate Allied victory.

3. Reduced rates for war risk insurance of British and Allied cargoes by American underwriters is decisive counter to enemy propaganda on shipping losses.

4. Emphasise steady R.A.F. bombing as best present offensive action against Axis and discourage expectations of British continental invasion this year.

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1. RUSSO-GERMAN WAR

(a) The Fourth Offensive.

(i) The Centre.

The fourth German offensive is now in full swing. It appears to have taken the form of a two-pronged drive towards Moscow in the centre, and a drive in the south aimed at cutting off the Crimea from Marshal Budenny's army.

The northern prong of the first thrust is from the neighbourhood of the Valdai hills and appears to be directed towards Kalinin on the main Leningrad-Moscow railway. Not much is known of the fighting in this district.

The southern prong is driving from the Briansk district and appears to have made some progress, the Russians admitting the evacuation of Orel, an important railway junction almost due south of Moscow and due north of Kharkov.

(ii) The South.

In the Ukraine the Germans claim to have reached the Sea of Azov by a thrust from Dnepropetrovsk, and by taking Marivpol, Melitopol and Berdiansk, to have cut off several divisions from their line of retreat to Rostov. On the other hand the Germans are known to have suffered very heavy losses in attacks on the Perikop peninsula.

In Leningrad the Russians stand firm and at Murmansk the Germans have been thrown back.

(b) The Immediate Future.

Considerable changes on the war map must be expected with this or other thrusts. The advances reported probably represent armoured thrusts which may be cut off or may prepare the way for supporting infantry. It seems clear that Hitler is making every effort to reach a decision in the few weeks which remain before winter, or at least to take Moscow

Against this may be set the fact that Marshal Timoshenko's army is known to be the best equipped of the three Russian army groups, and that time has been given for the preparation of defence in great depth before Moscow. If the Germans could not break through to Moscow in the good weather conditions of the summer, they should find the task more difficult now.

It may therefore be suggested that Hitler has been forced to attack the strongest point, the army before Moscow, because he has failed to turn the two flanks by taking Leningrad, Odessa and the Crimea.

(c) Autumn Arrives.

Italian reports, confirmed elsewhere, state that autumn weather, with its rain, sleet, snow and piercing winds, has now set in. This has occurred a few days late, and will now last till the great frosts commence in early November.

This weather will greatly increase the already heavy strain on all the fighting forces, but will not, of itself, stop the operations. But when the real winter sets in, though fighting may be maintained, operations on the present scale can hardly continue. This, combined with the prospect of an increasing flow of British and American aid, accounts for Hitler's hurry.

(d) Russian Morale.

It should be emphasised that Russian morale remains as high as ever, and that their confidence in the outcome of the war in the long run is as great as ever. But the next few weeks will be perhaps the most critical testing time which Russia has yet passed through.

(e) Casualties - Truth and Falsehood.

(i) Conflicting Claims.

During the course of his speech on October 3, Hitler remarked: "The other day I had a statement inserted in the German High Command communique, that the High Command communique is a report of the truth", thus showing the existence of widespread doubt and questioning which needed so public a denial.

He then detailed Russian losses, without, for all his truthfulness, mentioning his own. These were: 2,500,000 Russians taken prisoner, 22,000 guns, 18,000 tanks and over 14,500 aircraft captured or destroyed.

The Russian losses as given by M. Scherbakov, Director of the Moscow Information Bureau, on October 5, are: killed 230,000, wounded 720,000, missing 178,000. The losses in material are 8,900 guns, 7,000 tanks and 5,316 planes. The Russian estimate of German losses is 3,000,000 killed or wounded, 11,000 tanks, 13,000 guns and 9,000 aircraft.

(ii) The German Record.

The relative veracity of the two sides may be judged from the following facts:

(1) The Russians have consistently and periodically published their losses and have not tended to minimize their extent or seriousness. The Germans have never published any comprehensive official figures of their own losses at all, and unofficially have done their best to minimise them.

(2) The Russians have often been reticent in their communiques, but they have never been either boastful or deceitful. Each German advance once established has been announced. A striking example of frankness was the broadcast of M. Stalin himself in July when he announced the 'scorched earth policy'.

The Germans have been as reticent as the Russians have been candid in these matters, and the German radio has often been both boastful and mendacious. Here are some examples:

(1) On July 7 the German radio announced that the Russians had thrown in their last reserves.

(2) On July 21 the German news in Norwegian said, "It is now only a question of days before Leningrad will be captured or destroyed."

(3) On July 23 the German military attache at Ankara said that the war would be over in six weeks.

(4) On August 3 it was actually reported from Berlin that Leningrad had been entered on July 31. The fall of Kiev and Odessa was said to be imminent.

(5) On August 5 the Japanese Radio in English from "specially acquired data" predicted the collapse of the Soviet "within eight or nine weeks at the latest" - a period which has now expired.

(iii) Casualties and the Adding Machine.

German reliability with regard to casualties can be tested in two ways - by their own statements and by the estimates of neutral observers.

On June 23 the German controlled radio at Budapest put the total strength of the Red Air Force at 7,000 planes. On June 30 the Italian radio put it at between 6,000 and 10,000 planes. Now Hitler says he has destroyed 14,500 aircraft, and still the Russian Air Force carries on the struggle.

On September 22 Lord Haw-Haw declared in a talk that the German losses in killed, wounded and missing were less than half a million. The Russian losses, given out at the same time, were estimated at two million killed and two million prisoners. Counting on the German ratio of 3 wounded for one killed, the total Russian losses would be nearly ten million - a proportion of 20 Russians to one German. The last Russian estimate of comparative losses (1,100,000 Russians to 3,000,000 Germans) shows a ratio of less than three Germans to one Russian.

(iv) Neutral Estimates.

The case for believing the Russian figures rather than the Germans is strengthened by the report of the U.S. observers, Lazareff and Root, noted for their accuracy. Up to July 11. only, they estimated total German losses at nearly a million men.

A further piece of evidence is the report on September 28 of the Chicago Daily Telegraph's correspondent in Europe on the military obituary notices appearing for seven days in the Hamburger Frendemblatt (of Hamburg). The names of 67 officers and N.C.Os appeared. Taking the usual basis of calculation that officers and N.C.Os are 15 per cent of the total losses, this means that in one week the city of Hamburg alone lost not only 67 officers, but 1,000 private soldiers. Carrying these figures further according to the population ratio, this means that in one week 86,000 Germans were killed on the Russian front. By this calculation in 15 weeks the Germans have probably lost about 1,300,000 men in killed alone. If the killed are one third of the wounded, this makes the Russian claim of 3,000,000 German dead and wounded in 15 weeks not only reasonable but conservative.

2. JAPAN AND CHINA.

(a) Recent Operations

(i) Changsha.

Recent operations in China can now be viewed as a whole, and are seen to represent a substantial Chinese success. The main Japanese drive was south from Yochow on the Yangtse towards Changsha, an important road and rail junction in Hunan province. Changsha is important to the Chinese because through it pass their communications with the three eastern provinces of Kiangsi, Fukien and Chekiang and the coastal ports between Shanghai and Canton recently recovered from the Japanese.

The Japanese attempted to take Changsha unsuccessfully two years ago, using much the same tactics as recently. On the present occasion they used large forces, were allowed to approach within eight miles of the city and were then attacked from the flanks and rear and driven back in confusion. In this case they are reported to have suffered 79,500 casualties including 33,600 dead, amongst whom were two divisional commanders, one of whom committed hara-kiri.

(i) Chengchow

To offset this disaster, the Japanese have crossed the Hwang-ho (Yellow river) and taken the walled city of Chengchow. Chengchow marks the

crossing of the north-south Peiping-Hankow railway and the east-west Lunghai railway, and is therefore an important point. But the Chinese for a long time have only controlled the western half of the latter railway, so that while the capture of the city may be useful to the Japanese, its loss is not so serious to the Chinese as that of Changsha would have been.

(iii) Ichang

Finally, the Chinese claim the capture of Ichang by a lightning attack.

Ichang marks the westernmost point of Japanese penetration in the Yangtse valley along the road from Hankow to Chungking. It also marks the end of the navigable portion of the great Yangtse river, rapids existing just beyond.

Ichang is a treaty port of 100,000 inhabitants, and being over 650 miles as the crow flies (and much further as the river flows) from Shanghai at the mouth of the Yangtse, is the Chinese port furthest from the sea. It is from Ichang that the Japanese have launched their numerous air raids on Chungking.

(b) Chinese successes in 1941.

These Chinese successes represent the first important fighting since the Japanese offensive in the spring. They then organised a quadruple attack, towards the Hwang-ho in the north, eastwards in the mountains between the Hwangho and the Yangtse, south-east from Hangchow near Shanghai, and eastwards at and from the ports between Shanghai and Canton.

Only in the north did the Japanese enjoy important success, driving to the north bank of the Hwang-ho. In the centre they were held, and elsewhere they were beaten back.

(c) Increased Chinese Strength.

Why are the Japanese enjoying less and less success in China? The answer is that the Chinese forces are now in better condition, in discipline and equipment, than they were four years ago.

(i) They have nearly 5,000,000 men under arms, of whom between one and two millions are guerillas.

(ii) Arsenals, each too small to make the loss of any one of them catastrophic, have been established throughout Free China, which turns out quantities of rifles, ammunition, grenades and small artillery.

(iii) An officer class of good quality has been created.

(iv) Knowledge and practice of tactics has much improved.

(v) Good generals are being bred by war. General Hsueh Yo, the 40 year old victor of both the Changsha battles, and nicknamed the "Little Tiger", is an example of this process.

(d) British and American Help.

China has now a good army for defensive purposes aided by Generals Time and Space. She lacks offensive power, for which she needs heavy artillery and aircraft. Britain and America, by means of the Burma road whose capacity has been doubled by American engineers, are doing their best to make up this deficiency. America is building numbers of Vultee Vanguard pursuit planes for China.

(e) The Future.

The effect on Japan of these reverses should not be overestimated. Desire to recover prestige may make the army advocate adventures in other directions, and so create friction with the civil authorities engaged in "conversations" with America.

In this connection the warning of Air Chief Marhsal Sir R. Brook-Popham at Manila recently should be remembered: "Your never can tell when the 'younger officers' in Japan will slip off the rails". Defeat may irritate, as well as victory intoxicate, the army to rash courses.

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CONFIDENTIAL

HUNDRED-THIRTYSIXTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED OCTOBER 14, 1941.

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POLICY

1. Situation before Moscow is recognised by Russians as serious. Present danger-points are Vyasma and Orel. Russian morale remains unimpaired, reserves are moving up and Russian record over whole campaign shows no single reverse will break up resistence.

2. Continue to stress by all means importance of Middle East defence front and discourage armchair strategy advocating British land offensive against Germany in the West. Show that Allied aid to Russia is of the kind and quantity for which Russia asked (vide Beaverbrook's broadcast of October 12.)

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1. RUSSO-GERMAN WAR.

(a) Present Operations

(i) Moscow

The military situation has not apparently worsened in the last few days, though it remains difficult and dangerous. The danger points remain Vyasma, which is on the high road to Moscow, and Orel, 200 miles south of the capital. The evacuation of Briansk is not of special importance since it had already been passed by the Germans in their dash to Orel.

The first impetus of the German armoured columns seems to have been checked, and the recent progress which they have made appears to be the result of the concentration of superior forces. The German genius for organising lines of supply may be responsible for this but there is news of Russian reserves moving up from the east.

(ii) The South

In the south the Germans have failed to make further progress towards Kharkov. They have reached the shores of the Sea of Azov, but the Crimea (as well as Odessa) remains firm, and the Germans themselves have abated their claims to have destroyed the whole of Marshal Budenny's army.

(b) The Campaign in perspective.

Last August Mr.Attlee said in Parliament that it was difficult to prevent cheerfulness breaking in; today there is widespread anxiety about the fate of the Russian campaign. A glance at the whole campaign in perspective may be of value in reaching a balanced view of the present situation.

(i) Russian strength under-estimated.

At the outset of the campaign Hitler, on his own confession under-estimated the Russian strength. In this he erred with many other military and political observers, allied and neutral. In particular, the Russian air force was thought to be obsolescent, the Russian tanks inferior, Russian communications inadequate, and Russian mechanisation worm-eaten by inefficiency. Every one of these assumptions has been falsified by the event.

An example of the prevailing feeling (including Hitler's) was provided by an observer in the Sphere on June 28, who sceptically said that if in three months time the Russians were still unbroken he would see the hand of God in Hitler's decision, but not till then. The war is now in the seventeenth week, a fortnight longer than the given three months, and the Russians are still very much in the field.

At the beginning of the campaign it was estimated by a military observer, whose forecast of the extent of the German advance has not yet been fulfilled, that wherever the Germans stood at the end of October there they would stay for the winter.

(ii) The Moscow Blitz.

Hitler's first plan, based both on his estimate of Russian military resistance and the expectation of fifth-column sedition (a number of puppets were kept in cold storage, both for Russia proper and the Ukraine) was a lightning frontal driv to Moscow, which it was hoped to reach in a few weeks. This was supported by fanwise operations in the Baltic lands and the Ukraine. Arrival in Moscow, it was thought, would precipitate the collapse of the Soviet regime and all would be over save the collection of Caucasian oil and the reaping of Ukrainian wheat.

This plan failed in the prolonged battle of Smolensk, after the Germans had at one time reached Vyasma and Briansk and, in the south, the outskirts of Kiev.

(iii) The Pincer movement

When/the frontal drive was checked, the second plan was a gigantic pincer movement in the approved German style, which was developed as soon as they realised the toughness of the Russian resistance. The northern pincer was to take Leningrad, which would then have been used as a base (supplied from the Baltic) for a southerly sweep to Moscow. The southern pincer was to sweep right through the Ukraine to the Donetz basin, and then turn northwards towards Moscow. In this way the Caucasus would have been cut off from the main Russian army and that army itself enclosed in a mighty ring in Central Russia.

This plan has also failed owing, in the north, to the heroic resistance of Leningrad, helped by Talinn, Oesel and the Baltic Fleet. In the south the Germans took Kiev, but their rapid progress eastwards has been checked by Odessa and the Crimea, while the attempt to push northward from Poltava to Kharkov has been foiled by counter-attacks.

(iv) Moscow sledgehammer.

The third plan is the result of the failure of the second. It is again a direct thrust at Moscow by which it is hoped to break the Russian army in two instead of encircling it before winter sets in. This drive has also its pincer, the southern arm of which has reached Orel and is trying to turn north. In essence, however, it is a return to the direct sledgehammer blow at the centre.

(c) Reasons for German successes.

The success so far attained may be ascribed partly to the German superiority in tanks; the Russians believe the Germans are using 14,000 in the present battle. Another factor is perhaps better German organisation of communications, by means of which they have been able to move their forces from front to front, and attain local superiority at the point of attack.

(d) Russian veracity.

Undue alarm should not be caused by Pravda's phrase: "The danger is great and threatening." This may be taken to mean exactly what it says. It certainly does not mean as such phrases meant in the French campaign, that all is nearly lost.

There is no sign of any weakening of Russian morale. There is no military reason why resistance should not be continued even if Moscow fell.

The Soviet Government has been noted for the frankness of its admissions and the sharpness of its self-criticisms. a A recent example of the first was Stalin's speech in July. An example of the second was the severe criticism of Russia's transport system at a conference held only a few months before the German attack. In actual fact the Russians have been better than their word, not only in the matter of transport, but also in the efficiency of their Air Force, Navy, Tanks and Mechanisation.

A realism which has never birked failure and disappointments can now be relied upon not to under-estimate or under-state difficulties and danger.

2. BRITAIN.

The Question of Continental Invasion.

(i) Hitler and Churchill.

The question "whether we should invade the Continent of Europe in order to lift some weight off Russia" was referred to by Mr. Churchill in his war review in the House of Commons on September 30. Acknowledging public interest in the matter, and admitting that "these questions several times occurred to those responsible for the conduct of the war", he firmly refused to afford the enemy gratuitous military information, and dwelt instead upon "the responsibility of the Government to retain here at home an ample first-class force to beat down and annihilate any invading lodgements from the sea or descents from the air".

Hitler's attack on Churchill in his Berlin speech of October 3, and his return to his favourite theme of "the parliamentarians who talk and the Fuehrer who acts", may well have been actuated partly by the persistence (despite the death penalty) of German listening to foreign broadcasts, and partly by this very refusal of the Prime Minister to disclose the conclusions of the British War Cabinet.

It may be recalled that on September 4, 1940, after several bombastic German prophecies of a successful invasion of Britain, Hitler said in a speech in Berlin: "When people in Britain ask: 'Yes, why don't you come?' we reply: 'Calm yourselves, we shall come". Eleven days later the R.A.F. smashed the German barge-concentrations at what had become known as the "invasion ports", and British attention to these ports has never since been relaxed.

By December 10, 1940, when Hitler spoke to armament workers in Berlin, his tone had changed. The only reference to invasion was to a British attack on Germany: "If she tries to gain a foothold anywhere on the Continent she will encounter our army". In his subsequent public utterances it has been noticeable that the intoxication of approaching victory has been to some extent replaced, as a stimulant to the German people, by the fear of the consequences of invasion and defeat. Though the world may welcome this slowly growing atmosphere of defeatism, it should be remembered that in Germany dread of conquest, and of the revenge of the occupied nations, may be powerfully exploited as a motive for desperate resistance and sacrifice.

In the meantime Mr. Churchill has taken more than one occasion to remind his people and the world at large that an attempted German invasion of Britain, though successfully held off last year, is still to be expected.

Defence of the British Islands is still, on the long-term view, the most vital single factor in the strategy of beating Hitler; and there is as yet no justification for thinking in terms of a quick end to the war.

(ii) <u>The Case For Invasion of the Continent</u>.

A land-offensive against Germany's continental position is a favourite theme of arm-chair strategists. In favour of launching such an attack at the present juncture they argue that:

(a) It would involve Germany in a two-front war in which her full strength could not be employed on either front.

(b) It would constitute the most effective aid to Russia and avert the danger of a Russian collapse.

(c) It would bring the simmering opposition to the Germans in the occupied countries to the boiling point of effective action.

(d) It would exert upon the German population a depressing effect conducive to collapse or revolution.

(e) It would convince Britain's American friends that she "means business" and will shrink from no exertion or sacrifice to achieve a speedy victory.

(iii) <u>The Case Against Invasion</u>.

These particular arguments may be answered as follows:

(a) The R.A.F. already involves Germany in a two-front war. Hitler has opened up new fronts wherever opportunity offered, and deliberately attacked Russia with this particular risk well considered. The attempt to disperse <u>Germany's</u> offensive strength would involve a major dispersion of <u>Britain's</u> less numerous and at present less well-equipped forces.

(b) The Russians themselves have clearly stated the kind and quantity of aid they require, and Britain and America are resolved to see that they get all of it. Large-scale offensive operations in the West would not merely reduce but probably extinguish the possibility of supplying Russia, thus increasing that very danger of Russian collapse which the advocates of a Western invasion seek to avert.

In point of fact the expectation of a Russian collapse was considerably stronger (both in Germany and in the Allied countries) at the beginning of the campaign than it has been since.

(c) Nothing in the German record in the occupied countries suggests that they would shrink from wholesale massacre in affected zones at the first sign of invasion. The whole question of effective Allied co-operation inside occupied Europe rests upon considerations of organisation which are never revealed in newspaper reports and are not likely to be revealed until after the work has been successfully accomplished.

The prophets of an early "European revolution" in concert with a British offensive are assuming that civilians and isolated groups can succeed where mobilised armies failed.

(d) In the last war German collapse and revolution followed military reverses sustained after four years of land warfare. There is no precedent for such developments following upon the mere landing of an expeditionary force on the Continent, especially after a number of such landings have already been unsuccessful.

The imminent threat of invasion last year had no "depressing effect" on the British people, though it doubtless had that intention. Though this argument does not necessarily apply mutatis mutandis to the German people, there are grounds for supposing that a definite threat to German frontiers, coupled with fear of the vengeance of conquered peoples, might be successfully used by the Nazi leaders to whip up desperate resistance.

(e) It would be the height of folly to subordinate military considerations to the advantage of securing favourable headlines in the American Press. If Britain's exertions and sacrifices up to now have not convinced American opinion that she "means business", no spectacular combined operations will do so.

(iv) Summary.

It will be noted that all the arguments of the advocates of a western land-attack are based upon such an attack achieving success. The disastrous results, both military and psychological, of failure or even of a serious check, are scarcely taken into consideration.

British land-operations in Europe during the present war have undoubtedly inflicted damage upon the enemy and in some cases altered the sequence of his plans. They have also shown (by its presence) the value of sea-power and (by its absence) the vital necessity of local air-superiority.

Successful Continental strategy must involve the employment of means sufficiently powerful to achieve what no power, even the Russians, have yet succeeded in doing - to inflict decisive defeat on the German land-forces, after overcoming German coastal defences. An essential pre-requisite of such an operation is the winning of the production-race in which Britain was a late starter. British blockade measures, British defence against the German war on shipping, R.A.F. bombing of German industries and the defence of British industries, are all factors in the winning of the production-race from which we cannot afford to be diverted.

In the summer of last year, in Britain's hour of extreme danger, her leaders took the bold course of shipping tanks and supplies to Gen. Wavell in the Middle East. There can be few who would now argue that the defence of the Middle East is any less vital than it was before the Germans reached the Aegean and the Black Sea, or that the efficiency of that defence might usefully be sacrificied for a continental adventure in the West. On the contrary, it is of paramount importance at the present stage of war, particularly for the defence of India, that the Nile-Caucasus front should be held and supplied.

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CONFIDENTIAL

HUNDRED-THIRTYSEVENTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED OCTOBER 18, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Acknowledged gravity of Moscow situation should not impair sober confidence of long-term view. Essential German aim is destruction of Russian armies and means of resistance. As proof of Russian strength and resolution, defence of Moscow may be compared with surrender of Paris.

2. Fall of Japanese Cabinet indicates fresh crisis between moderates and extremists. Stress any Japanese attempt to copy Italian role would meet firm and well-prepared Allied resistance.

3. Conflicting rumours of Bulgarian mobilisation, British landings in Russia, revolution in occupied Europe and Anglo-German peace-feelers are items of Axis propaganda offensive to be treated with utmost caution.

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1. RUSSIA

(a) The threat to Moscow.

The gravity of the German threat to Moscow is now common knowledge. Whether the German claim to have taken Kalinin and Kaluga is correct or not, it is clear that they are near the outer defences, which seem to begin about 70 miles from the city itself. It may be noted that though the German attack in the central sector is essentially a frontal one, the line does not move forward regularly as a whole like a Greek phalanx, but rather in a series of thrusts or wedges, the spaces or pockets between which must be filled up before the next series of thrusts can be attempted. Where this is not achieved the wedges are cut off at their base.

(b) Moscow and the campaign as a whole.

Interest is naturally concentrated upon the fate of Moscow. The importance of this national and historic symbol should not be allowed, however, to obscure the real issue of the campaign as a whole or the Moscow battle in particular. This issue is, from the German point of view, the destruction of the Russian army and its means of supply, and not the capture of any one place however important. Only by this means can they release their army and air force for the long-promised attack upon Britain.

The supreme Russian aim, likewise, is to retain their army in being in the field. Important centres of communications and supply, like Moscow, Leningrad, Kiev, and the Ukraine, are defended as long as possible, but never to the extent of isolating or breaking up the army.

(c) Russian candour and resolution.

Russian candour in admitting "deterioration on the western sector" and a "break through", and in facing, as the Izvestia does, "the danger hovering over Moscow," strengthens the credibility of its assurance that "the whole people are ready to fight long and persistently until victory, despite temporary enemy successes", and of the Moscow radio statement: "the people's unbending will to fight to the end cannot be shaken."

The Russians' attitude, in their hour of trial and danger to the capital, has been notably different from that of the French in 1940 when Paris was threatened. The French thought their capital so precious that they preferred to hand it over rather than risk its injury; the Russians think their capital so precious that they prefer its destruction to its desecration by the enemy.

(d) Russian losses.

The Russians have admitted heavy losses, but the German figures of prisoners taken are certainly greatly exaggerated. The Russian population has been ordered to "stay put" in order not to congest roads required by the military, and these orders have been obeyed. It seems likely that the totals of prisoners taken in the Vyasma, Orel and Briansk districts have been swollen by including the whole non-military male population of those districts.

(e) Russia and a long war.

Russia, like Britain, is thinking in terms of a long war. Workers are being evacuated to the rapidly developing industrial centres of the Urals so that the loss of Russian industrial centres in the west and south may affect her production as little as possible. Although British supplies began to reach Russia shortly after the German attack, the programme laid down at the Moscow conference is largely a long-term one, which would be useless if Russia staked all on holding Moscow.

When Stalin heard how much Britain and America undertook to provide, said Lord Beaverbrook, "his relief was manifest. He was pleased, he was confident, he was satisfied. Is he an easy man to satisfy? Not so. He is an exacting man, even though he does not look it... His knowledge of armaments is vast and wide, comparable only to that of our own Prime Minister."

(f) Odessa.

The completion of the evacuation of Odessa has been announced by the Russians after eight days. Their claim to have done so successfully is supported by the German High Command Communique on October 18, which only claimed the sinking of 30,000 tons of Russian shipping and the damaging of several large ships. When it is remembered that the evacuation must have been a large operation and that the British lost 187,000 tons of shipping in the brief Greek campaign in April last (mainly at the time of the evacuation) this figure is not impressive.

Odessa has been called the Russian Tobruk, and so it was when first encircled. Tobruk has served two purposes - a brake on the German advance towards Egypt and a threat to the flank and rear of the Axis forces at Sollum. Odessa served both these purposes until the Germans crossed the Dnieper. Since then however, it has been no longer a threat to German communications which now run far inland, and its only value has been to contain a certain number of Axis troops. Difficulties of supply, now that the Crimea is threatened, and a desire to strengthen the Crimea garrison probably account for the decision to withdraw.

2. GERMANY

German Propaganda in the Crisis.

(i) The Weapon at Work

"Whatever Hitler's plans", wrote The Times in a leader on October 8, "it seems likely that this time he will hold back no reserves already committed to the Eastern Front. For him the supreme moment has come".

In this supreme moment, for it is Germany's crisis no less than that of Russia, the propaganda weapon which has always been so highly rated by the Germans has its definite tasks. It is not being used so carelessly as may sometimes be imagined by the sceptical observer.

Boastful claims, enormous statistical exaggerations, assertions that the war with Russia is as good as won, by no means represent Dr. Goebbels' only line of attack. Familiar as these themes are, contradicted as they have so often been by events, it is even possible that they represent in German propaganda-tactics a secondary operation, a feint-attack to disarm the critical by the easy reflection: "we've heard all that before."

To discern the role assigned to the propaganda-weapon at this critical juncture it is useful to look beyond the main headlines and the German communiques to an accumulation of seemingly subordinate items in Axis radio bulletins, in the "neutral" Press and radio, and even in reports apparently emanating from Allied sources. The present German position in Europe and the resources of a highly elaborate propaganda-machine enable stories to be deliberately "planted" in places where their origin might least be suspected.

(ii) Propaganda and Strategy.

The German purpose in invading the Soviet Union is plainly understood to be the smashing of the Russian war-machine and the acquisition of resources and industrial capacity so as to compensate for the British blockade and to enable the German Command to strike with all its force at Britain.

The thrust towards Moscow is an item in this ambitious programme. The hope of penetrating to the Caucasus and cutting the Anglo-American supply-route to Russia is another. The dispersal of Britain's forces and of her war-effort in general is a third and highly important one. Propaganda, according to well-tried German theories, can assist these purposes in several ways.

(a) It can be employed at full pressure in the effort to inflict on Russian morale, both military and civilian, the same mortal wounds which contributed so largely to French collapse. The obvious examples of this technique, which in the case of Russia has so far been a spectular failure, need not be recapitulated.

(b) Propaganda in concert with the German offensive can also seek to slow up effort in Allied countries by implanting the feeling that "help will be too late." This was very comprehensively tried against America during Britain's "invasion autumn" last year.

(c) By sowing confusion of thought in an almost endless variety of ways, German propaganda endeavours to hamper the governments of all countries where any freedom of expression remains.

(iii) The Continental Invasion Racket.

As an example of (c) above, German propaganda has pounced upon the question of a British land offensive against Germany, recently aired in the Press of the free nations, with an eagerness which should provide the most effective reply to those quarters which have rashly advocated a change in British strategy.

Few things, one imagines, would better suit German plans at this testing hour than an interruption in the flow of supplies to Russia and the Middle East, a weakening of the Middle Eastern front and a great dispersal of shipping such as would result from a continental adventure at this stage.

Accordingly, actual news of resistance to German excesses inside Europe have been supplemented by Axis-inspired hints, from one apparently innocent source or another, that these disturbances have an organised character appropriate to the arguments of those amateur strategists who anticipate effective revolution in the Occupied Countries in support of an immediate British invasion. Furthermore a story, ostensibly quoted first by Japan from Stockholm and then by Germany from America, has been put over the Axis radio inventing a British landing at Murmansk and Archangel only to pour scorn upon it.

(iv) Another Peace Offensive.

The curiously involved statement of Dr. Dietrich, Reich Press Chief, which was given prominence by the Axis radio a few days ago has been explained by subsequent propaganda moves.

Dr. Dietrich accused Britain of stating that Germany was launching a peace-offensive. In denying the implication, he said (a) that there would be no further German peace-offensive until victory was won by the sword, and (b) that victory was already virtually won. He has since declared that his statement was "wrongly interpreted".

On October 16th the existence of a German peace-offensive was, however, revealed by two similar reports, presumably planted on neutral sources who did not suspect their origin. Turkish broadcasts in Urdu, Persian and Arabic stated that "the last German offensive has opened a way for the possibilities of an armistice or peace. There are two conjectures in this respect: the cessation of hostilities between Germany and Russia, and an armistice or peace between Britain and Germany".

While denying any likelihood of the former, the report allowed some credence to the latter conjecture, stating that a British general had gone to Madrid and that the visit might have some connection with peace-feelers.

On the same night the Kabul radio made similar suggestions in its Persian bulletin and it may confidently be expected that Berlin will now take up her own story under the guise of "neutral reports".

To all such propaganda there is one answer. Neither Britain nor America will ever "parley with faithless men". The object of such Axis reports is to spread doubt and confusion.

3. TURKEY.

(a) Significance of the Trade Agreement with Germany.

After attempting every trick in the Axis repertory (von Papen even endeavoured to support him with the now familiar German terror-films), Dr. Clodius accepted a virtual diplomatic defeat when he signed the Turko-German trade agreement on October 9. The chrome which he had sought over many weeks and with such persistence to secure, for stiffening German steel in Hitler's gigantic effort against Russia, is only to be given in 1943 - long after the trade agreement with Britain expires, and only then if £T 18,000,000 worth of German war material has been actually received by Turkey.

The reality of Dr. Clodius' failure may be gauged from the efforts since the signing of the agreement to pretend that chrome scarcely interested him.

On the Turkish side, the course and outcome of the negotiations indicate clearly:

(i) Turkey's growing diplomatic strength, fortified by Middle Eastern developments which have renewed her communications and supply lines with Britain.

(ii) Her need for defensive armaments, and her determination to secure these as and where she can by reasonable commercial methods.

(iii) Her lack of confidence in Germany's ability to deliver the goods. Though Germany occupies territory and land-lines from Berlin to the Turkish border, while Britain supplies Turkey by the 12,000-mile sea-route round the Cape, Turkey demands from Germany actual deliveries, not mere promises.

(iv) Her long-term confidence in an outcome which will not leave her at Germany's mercy.

(b) Turkish Neutrality.

At the same time Turkey has given fresh evidence that her interpretation of the word "neutrality" is the normal and not the German one.

A report emanating from German sources that an Anglo-Soviet Note had been sent to the Turkish Government regarding the activities of German fifth columnists, was swiftly quashed in London by being officially described as "completely untrue". Mr. Eden, in the House of Commons, stated on the same day (October 8), that so far as Turkey was concerned His Majesty's Government had no doubt whatever that she would fulfil the obligations under the Montreux Convention, both in the letter and the spirit. Turkey herself gave admirable evidence of how strictly fair and impartial she wishes to be by issuing a communique on October 9 regretting the presence of "tendentious rumours" and reaffirming her desire to maintain friendly relations with all countries, the Axis being within the terms of reference.

(c) Turkey and Italy.

News of an attempted trade agreement between Turkey and Italy to the value of 6,000,000 Turkish pounds keeps the subject open for the Axis. According to the report Italy seeks food, eggs, vegetables etc; and olive oil which she herself used to produce in abundance in pre-axis years. In return she is to offer medical and chemical supplies, sulphur, and tyre-less automobiles.

It would appear that a semi-starved Italy has been asked to step into the breach to be a pawn in the game of Dr. Clodius' economic diplomacy. Germany needs Rumanian oil, and Italy may be asked to pay for it through a three-cornered trade agreement via Turkey.

4. IRAQ

Nuri Pasha and his Cabinet

(i) The Prime Minister.

Nuri es Said Pasha, 55-years-old Sunni who has succeeded Jamil al Madfai as Premier of the Iraqi Government, is Iraq's most experienced general. As King Feisal I's right-handman Nuri worked for the same cause of Iraqi independence and as Prime Minister negotiated the Anglo-Iraqi Treaty of June 30, 1939. He was Prime Minister for a second term in 1938 and has been Foreign Minister several times. He has also held appointments as Minister to Italy and League of Nations delegate. Nuri also holds the portfolio for Defence.

(ii) Other Ministers.

Nuri's Cabinet Ministers include Saleh Jabr (46 years - Shia), a representative of the younger group of Iraqi statesmen, who has served in several Cabinets, chiefly as Minister for Education and Minister for Justice. Now Saleh becomes Minister of the Interior and acting Foreign Minister. Persistent and energetic he has done much useful work in the past. Sadiq Bassam (45 years - Shia) has been Education Minister a number of times, now becomes Minister for Justice. Ali Mumtaz (42 years - Sunni), an experienced Treasury official, becomes Finance Minister for the second time. Abdul Mahdi (48 years - Shia) now Minister of Economics, was the stout supporter of the Regent during the crisis early this year, is highly regarded by the Euphrates tribesmen. Amin Zaki (58 years - Kurd), who has long experience in Finance, is now Minister for Works. He has held office several times as Minister of Communications and once held the Defence portfolio. Jamal Baban (54 years - Kurd) was Minister of Justice several years ago, is now Minister for Social Affairs. He was Minister of Works in Madfai's Cabinet.

5. JAPAN

Fall of the Konoye Cabinet.

(i) Moderate and extremist opinion.

The sudden resignation of Prince Konoye's "Wait and see" cabinet after a life of only three months indicates another crisis between moderate and extremist opinion in Japan. On the one hand moderate influence, led, it is said, by Prince Konoye himself, has initiated conversations with America; on the other hand military and especially naval opinion has been calling for a forward policy while Russia is embarrassed in the west and before the A B C D front becomes any stronger. The fact that the Cabinet has fallen just when the threat to Moscow has become grave suggests that the crisis is due to extremist restiveness.

(ii) Japanese policy - Siberia or Thailand ?

Should the "forward school" gain the day, there are two alternatives before Japan. One is to fall upon Russia in Eastern Siberia as Germany's second jackal. The other is to attack Thailand and possibly the East Indies as well. An attack on Siberia is open to the objection that the intense Far Eastern winter is about to descend which will make operations difficult. An attack on Thailand, on the other hand, risks the intervention of America. The reported presence of over 30 Japanese divisions in Manchukuo may be to guard the northern frontier while both army and navy adventure to the south.

(iii) Japan, the Far Eastern Italy.

Japan may calculate that Russia will collapse on the fall of Moscow as France did after the fall of Paris, thus freeing her of danger in the North. If this happened, her militarists may argue, she might face American hostility backed by a supply line from Germany, through Russia. But if Japan aspires to play the part of a Far Eastern Italy, she is misjudging Russia in assuming her to be an eastern France. All the evidence points to the fact that the Russians will fight on whatever the fate of Moscow; that they will place the safety of their army before the fate of any one town; and that they rate the honour of their country more highly than any sacrifice however great.

(iv) Allied Firmness.

Sir R. Brooke-Popham has again emphasised British readiness to resist aggression in the East Indies, and Australia has showed her determination by the mining of the gaps in the Great Barrier Reef off Queensland and the waters round Thursday Island, and also by enquiries about a proposed Japanese airline to Timor Island.

Most significant of all, President Roosevelt has held an hour and three quarters' secret conference with his foreign and military advisers. These measures should be a clear warning to Japan that any aggressive move will meet with resolute and strong resistance.

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CONFIDENTIAL

HUNDRED-THIRTYEIGHTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED 21ST OCTOBER 1941

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POLICY

1. On Moscow front weather is deteriorating but chief German obstacle is resistance of Russian forces which they have failed to break. Be prepared for gradual transfer of main German effort to Caucasus drive.

2. Play up R.A.F. western offensive as essential aid to Russia and powerful long-term factor in defeat of Germany.

3. Afghan expulsion of non-diplomatic Axis nationals is wise step taken after friendly negotiations with Britain, but should not be given heavy publicity.

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1. RUSSO-GERMAN WAR.

(a) The Struggle Before Moscow.

The most critical phase of the German offensive against the Soviet Union has now been reached. In the normal course, the offensive -- provided, of course, that the opposing forces maintain themselves in the field -- should slow down and finally come to a standstill as resistance thickens and the lines of supply of the attackers lengthen and become clogged. In this fourth wave of the German assault, Hitler has been able to suspend the operation of the law of diminishing returns by throwing into the battle all that he has on the Eastern Front, with an utter disregard of cost. The terrible price which Germany and her Rumanian and Italian satellites are paying can only be justified in the military sense if, as Hitler himself has expressed it, the Russian Army as an organised force can thereby be destroyed. If less than that is achieved, failure will be as gigantic as the objective and will be impossible to disguise.

(i) Timoshenko's Defence.

Marshal Timoshenko's army is covering Moscow and forms the central core of Russian resistance, for the Red Armies of the north and the south have been able to pivot on it. Hence, the German command has struck with all its might in the hope of destroying the army of the centre before the winter, knowing that if this could be done the rest would follow. There can be little doubt that the Russian forces have only succeeded in extricating themselves from encircling movements in the Vyasma and Briansk sectors by paying a heavy toll in men and equipment but -- as so often before -- they did succeed. German communiques which talk of vast Russian forces surrounded and in process of annihilation reveal German plans but not German achievements.

(ii) The German Claws.

Marshal Timoshenko's army must have lost most of its capacity for manoeuvre through being pressed back from the open field and converted for the most part into a garrison manning the vast network of the Moscow defence system. It faces the German advance, which has taken the shape of four main claws -- one to the north and probably the most dangerous, which is curving round through Kalinin; two in the centre, one which aims straight at Moscow from Vyasma through Mojaisk and the other driving in between Kaluga and Tula; while the fourth aims at Tula from Orel in the south-west. The Russian claims to have recovered Kalinin and Orel, and German reports of counter-attacks suggest that two dangerous claws have been blunted. The forces under Timoshenko have obviously been severely hammered and weakened by heavy losses in men and material. On the other hand, they are still an organised fighting force with unbroken morale and capable of putting up the most stubborn resistance. Moreover, accounts of authentic eye-witnesses tell of a continual stream of fresh reserves and vehicles passing through the streets of Moscow on its way to the fortified zone west of the city.

The German plan to close the pincers west of Moscow has already failed. Will they succeed in closing them east of the city? That is the crucial question, for the tremendous night-and-day battle now raging is far more a battle for the destruction of the army than a battle for the capture of the city. Keypoints to watch are clearly Kalinin in the north and Tula in the south.

(iii) Importance of Moscow.

If the outer claws of the German advance are held and Moscow is successfully defended, as was Madrid in the Spanish Civil War, Germany will, of course, have suffered a major reverse. If Moscow is ultimately evacuated and Timoshenko, with an unbroken army, retires to the east, what then? In other words, how important is Moscow in the Russian system of defence? Two facts in that regard must be as squarely faced by us as they are by the undaunted Russians. The first is that Moscow, as a vital point in their communications system, has lost much of its value with the cutting of the main Moscow-Leningrad Railway at Kalinin and the Moscow-Kharkov line at Orel. Secondary and circuitous routes are still available but in future direct lateral communications must largely be superseded by independent lines of supply from the east. That is not an insuperable handicap.

Secondly, although Moscow is the heart of a very important industrial area, the greater part of that area between Moscow and Tula is already within the battle area. The enormous, though only partly developed, industrial regions of the Urals, depend for machinery and machine-tools on the older production areas in Leningrad, Moscow and the Ukraine. In that connection, it is important to note that the process of evacuation of skilled workers and machine-tools from exposed centres to places of safety has been going on since the outbreak of hostilities. An American observer, who recently had a very good opportunity for observation in Moscow, has confirmed that this movement of factory workers and plant to the Urals and beyond has been taking place progressively and in accordance with what was obviously a carefully prepared plan.

(iv) The Weeks Ahead.

Even if the Russians lose the productive capacity of the important Moscow-Tula area as well as the Ukrainian factories west of the Kharkov-Rostov line, there is good ground for believing that their own eastern supplies, together with consignments already under way from the British Empire and the United States, will tide them over for the next few weeks. That belief is stated on the assumption that although operations may continue through the winter they cannot be on the gigantic scale of the last few months. It would be idle to maintain that British and American aid or the means of transporting it can be rendered adequate to fill the gap in Russian armament production for some months to come. But if evidence justifies the expectation that the Soviet Army will be able to keep the field during the interim, then Hitler will be faced with a grim prospect in Russia when the spring comes. At the present moment German military power is at its peak and Russian resistance has been most gravely weakened, but, despite German hopes and boasts, the conflict is still far from being decided.

(b) Russia and Her Allies.

(i) Material Aid.

Lord Beaverbrook and Mr. Harriman have pledged the honour of the nations of the British Commonwealth and the United States. "We will forego," said the former, "food from abroad, if the ships are needed for Russia. We will give up all our leisure if munitions are required to defend their cities ... The Soviet Union must be enabled to enter the spring campaign with adequate supplies of all munitions of war ... These are promises we made to Stalin in Moscow in your name. These are pledges we shall carry out".

(ii) The Wider Strategy.

A tank or a gun shipped to Russia will obviously not be available for a British attack in Western Europe -- nor the ships. For those who know the British plans it would be impossible to allay public anxiety and impatience without divulging to the enemy what he most wants to learn and for those who don't know, speculation would be futile.

The time may come when an invasion of Norway, France or the Low Countries will be the most effective method of striking at the German military machine. On the other hand, if -- as seems highly probable -- the Germans switch their main effort from Central Russia to the Caucasus that quadrilateral may become the decisive battleground in the world war.

The slackening of the German drive towards Rostov recently was possibly the result of concentration of forces against Moscow. By the same reasoning the recent German claim to have taken Taganrog may mean the first sign of German abandonment of the Moscow battle and diversion of troops elsewhere. As after the Battle of Verdun in 1916, the Germans will certainly not accept defeat before Moscow without immediately trying to find another way of achieving their aims.

Again, a Japanese attempt to imitate the Italian example of the stab in the back might have the effect of drawing a major British effort to Singapore. And Libya remains very much in the picture. Germany enjoys the advantage of interior lines of communication, but the invasion of Russia has extended the perimeter of her vulnerability to the Pacific Ocean and the Persian Gulf. Accordingly, Russia is being linked with and correlated to a world-wide system of resistance to German ambition. British strategy must, therefore, meet the new situation which is no longer European and which involves a wider opportunity as well as a wider responsibility.

2. BRITAIN

R.A.F.'s Western Offensive.

(i) Goering's Two-Front engagement.

Tens of thousands of words in a score of different languages have issued from Goebbels' propaganda presses and radio stations since June 22 on the subject of R.A.F. activity on the Western Front. The pains that have been taken, day after day, to prove that air aid to Russia in the West is a farce beneath the notice of the *Luftwaffe* chiefs provide the best evidence to the contrary.

Every British raid is dismissed as "an attempt" to approach the objective. German losses in aircraft are rarely admitted and when they are high are claimed as British losses. To offset the effect on the population of German towns raided by the R.A.F., the Nazi radio invents a purely imaginary non-stop German air offensive against Britain. But, while Goebbels may partially fool a gullible public, he cannot fool Goering -- the man who knows the plain truth that half his fighter strength has to be kept in the West to ward off the R.A.F. at a time when the immediate and urgent need is that they should be meeting the Russian air fleet over the eastern battlefields.

(ii) British Air Aid to Russia.

Apart from the fact that a British wing is engaged in daily air combat on the Eastern Front itself, substantial indirect aid is afforded by the R.A.F. sorties from their home bases. Apart from the fighter forces which these sorties are binding in Western Europe, and apart from the material damage caused to German industrial output and lines of communication and supply, the losses in aircraft inflicted since the Russian campaign started are considerable. In the period from June 22 to October 16 the Luftwaffe lost 739 machines in the West. Of these 644 (i.e. 87 per cent) were fighters. This high percentage is a reflection of the fact that the Luftwaffe has been forced on to the defensive in Western Europe. It also reveals the wastage of German pilots on purely defensive operations. At a conservative estimate, since the Russian campaign started, the R.A.F. alone has destroyed more than six per cent of the entire operational strength of the German Air arm.

(ii) Weather and the R.A.F.

Bad weather does not interfere unduly with the navigation of modern aircraft, which can fly through almost any conditions to be found over Western Europe; but bad weather does interfere with accurate bombing. Mass terror raids, at which the Nazi fliers are experts, can be carried out in any weather; but precision-bombing of pinpoint objectives demands reasonable visibility and reasonable stability of the aircraft to facilitate careful aim. Further assurance of accuracy is achieved by the R.A.F. in fair weather by low-flying attacks. Ships are attacked from mast height and, in attacking objectives on land, British bombers have carried away electric power cables which became entangled in their tails. Such daring is impossible in fould weather. It is for this reason that Germany recently enjoyed an eight-day respite from bombing. The Air Ministry does not believe in dropping bombs on a target that is practically invisible tonight when they might be used with better effect in better weather tomorrow night. As soon as the weather cleared last week, for instance, more than 300 planes swept over a great segment of Germany stretching from Bremen to Nuremberg and dropped something like a million pounds of bombs on carefully identified targets.

3. AFGHANISTAN.

Expulsion of Axis Nationals.

(a) Points in Guidance.

The following points should be made clear in references to the Afghan Government's action in expelling Axis nationals from their country.

(i) The step indicates the Afghan Government's prudent recognition of the danger, proved by numerous examples elsewhere, of affording Axis nationals opportunities for abusing hospitality by hostile acts or preparations.

(ii) The circumstances are very different from those in which Axis nationals were compelled to leave Iran, since,

(a) The Afghan Government has responded to reasonable British representations in a friendly manner quite contrary to the attitude adopted by the ex-Shah of Iran and his government; and

(b) The potential menace of Axis Fifth Columnists in Iran was far greater and more immediate.

(iii) None of the Axis nationals, to the number of about 90, who are to leave Afghanistan, has any diplomatic status. No question of interference with diplomatic privileges therefore arises. All governments have the right at any time to expel aliens whose presence in their country is shown to be undesirable.

(iv) The action of Britain and Russia in allowing the expelled enemy subjects safe conduct to Europe is a notable recognition of Afghan neutrality and of Oriental traditions of hospitality. The importance of removing these dangerous characters from a position in which they could prejudice the defence of India and Iran as well as of Afghanistan herself, far outweighs the consideration of adding 90 odd Germans to the 80 millions against whom the Allies are already fighting.

'NOT FOR PUBLICATION'

(b) General Note.

To have secured the expulsion of Germans and Italians (except the Legation staffs) from Afghanistan by friendly representations, without moving a soldier or imposing any economic sanctions, is a triumph for British and Russian diplomacy. In the circumstances we can afford to allow the Afghans the satisfaction of saying, as they are saying over the Kabul radio, that in reality these Germans and Italians were no menace to anybody, since the Afghan Government could take and had in fact taken all the necessary steps to control their activities.

In fact, of course, their presence in Afghanistan was a menace to the rear of the Caucasus-Nile front, to the North-West Frontier of India and to the peace of Afghanistan; and there is every reason to believe that hostile agents could and would have created a situation which the Afghan Government would have found it very difficult to deal with effectively, either from our point of view or their own. There are so many factions in Afghanistan that the disruptive activities of Axis agents have a fruitful field.

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CONFIDENTIAL

HUNDRED-THIRTYNINTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED OCTOBER 25TH 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Unmistakeable signs of German peace-feelers are part of war-strategy indicating enemy's need to recover strength for further offensives and reduce tempo of Allied war-effort. They should not obscure seriousness of position on Russian front particularly in south.

2. In absence of official comment treat Timoshenko's removal from centre as exchange of posts on unrevealed but presumably sound military grounds.

3. Reiterate importance of India's defence in depth. Avoid under-estimating menace both east and west but stress foresight of defensive preparations in both directions fully justified by events.

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I. RUSSO-GERMAN WAR

(a) Tanks: the lesson of their importance.

This is a tank war, said M. Stalin to Lord Beaverbrook. By this he meant that, other things being equal, the decisive factor in modern warfare is the land battleship, which has proved far more difficult to stop, to trap or to knock out than was anticipated. More than this, tanks may prove decisive even when other factors such as artillery, numbers and even airpower are unfavourable. Tanks have replaced the dive-bomber as weapon No.1 of modern war.

The tank is a robot knight-in-armour, which drives through infantry as mediaeval knights drove through crowds of bowmen and men-at-arms, ponderous and invulnerable. An effective antidote to tanks, as the longbow and later artillery proved to be to the armoured knight, has not yet been found, and so the only reply to tanks is at present more tanks.

This is one lesson of the Russian campaign, and accounts for much of its course. The Russians had great numbers of tanks, which have undoubtedly saved them from destruction, but they have suffered from two factors. Their less mobile transport system has prevented them from concentrating as quickly as the Germans, and, as a retreating force in the main, they have lost all the vehicles which have broken down on the battlefield. Air power on each side has been approximately equal; since the first days of surprise, the German advance will be seen to have been the result of great tank drives which they were able to concentrate at given points in superior numbers.

(b) Moscow and Leningrad.

The most recent news shows that the German offensives both in the centre and the south have been renewed after a short pause. Rain, the prelude to the real winter, is falling in both areas, making roads almost impassable. In the Moscow area the Germans may be persisting on the principle that, when both sides are exhausted by conflict, a blow of lesser force may be the one to give a knock-out to a weakened opponent. The fighting in the central sector continues to be fierce, but the Germans do not seem to have made any appreciable progress.

In the Leningrad sector, fighting has flared up without decisive result. It has, however, served to reveal that the Russians still hold the eastern shore of Lake Ilmen, and the line of the river Volkhov which flows north from it, on the west bank of which Novgorod stands.

(c) The Black Sea Shore.

Reports of fighting as well as German propaganda both suggest that the main centre of military gravity at the moment is the south. Here three distinct German thrusts can be seen, along the Azov shore towards Rostov, against the Crimea, and northwards to Stalino and the Donetz basin. These are some of the possibilities,

(1) Azov. The capture of Azov would bring the Germans to the Don, the first line of defence of the Caucasus. From here they might proceed south-east towards the Caucasian mountain rampart or north-west towards Stalingrad on the Volga, whose capture would cut communications between the Caucasus and central Russia. Before either of these moves could be attempted, however, it would be necessary to protect the German left flank and rear (see section d).

(ii) The Crimea. The capture of the Crimea would remove a threat to the German line of communications. But more serious, it would deprive the Black Sea fleet of its main naval base of Sebastopol. It would then have only the port of Batum in the Caucasus, and while it would not be put out of action, itsrange of operations would probably be severely restricted owing to fuelling difficulties and Crimea-based air opposition, and perhaps limited to the eastern half of the Black Sea. Sebastopol would give the Germans an excellent base for small craft and also a base for long-range bombing attacks on the Caucasus.

(d) The Donetz Basin.

(i) Strategic.

The attack on the Donetz basin is based on both strategic and economic considerations. Strategically, a thrust into the basin would cut the link between Kharkov and Rostov. Its seizure would also in the larger view,safeguard the German flank and rear, so making possible thrusts towards Stalingrad and the Caucasus.

(ii) Economic.

The Donetz Basin is economically very important, being one of the older industrial centres of the Soviet Union. It holds a vital place in engineering and metallurgical production, and is practically the only place where the finer machine tools can be made. The Donbass coalfield contains Kharkov, which is one of the main Russian centres of heavy industry.

The industries of Kharkov are mainly metallurgical, smelting, engine-building, the manufacturing of machinery and agricultural implements, locomotives and electrical goods. Elevators, tractors and hydro-electric generators have been increasingly built of late.

Mariupol on the Sea of Azov is a considerable port. Rostov is the main producer of industrial machinery, while other smaller centres have plants for various specialised purposes. The pipeline passing through Rostov connects the area with the Caucasian oilfields. This area around the Donetz used to derive its electric power from the giant power-station of Dnieprostrov which has already been destroyed by the Russians, and this may have reduced the importance of the Donetz Basin to some extent.

(e) Marshal Timoshenko.

These possibilities give great importance to the southern campaign. They may also be connected with Marshal Timoshenko's transfer from the central front. The Marshal has had a good record and it is clear that he has now been transferred, not on account of any failure, but because another area has become or may become in the near future the vital scene of operations. The Donetz Basin conforms to the first and the Caucasus to the second of these conditions.

(f) Supplies for Russia.

Lord Beaverbrook in the House of Lords on October 23, has explained that the principle of Anglo-American help is the replacement of Russian losses. The speech made encouraging reading, revealing that the October supply has already been shipped and a very impressive list of articles promised. Apart from planes and tanks, this list included aluminium, copper, lead, zinc, tin, cobalt, brass, jute, wool, parchment, dyes, shellac, while the Americans are maintaining the Soviet petrol reserves.

II. THE MIDDLE EAST.

American View of the Allied Front.

The following extracts from news despatches broadcast from Ankara on October 17th and 18th by the American correspondents Ray Brock and Martin Agronsky are copyright to the New York Times and may not be directly republished without the permission of that paper.

As background material, however, and as reflecting the opinions of trained American observers stationed at an important point on the war-map, they have considerable interest, though no authority.

A note on the German attitude towards this American service from Ankara follows under Section 3: GERMANY.

(i) The Caucasus and India's Defence.

(Brock, October 18). "The British forces of the Near and Middle East are stiffening a defensive bastion against the Axis armies of the Western Desert and the mighty German war-machine which is slowly pushing its way towards the Caucasus and the threshold of India.

"Some parts of this line are powerfully held; some are held sparsely, but this correspondent, covering 1,300 miles of the British line from Cairo to Teheran, saw the British forces and their allies everywhere.

"Britain's Middle East line running out to the fortress of Tobruk also reaches down to Khartoum and Nairobi, with a by-pass via Asmara, Addis Ababa and Mogadishu. It is here that Britain is seizing the initiative, scoring victories, preparing an imminent offensive to blow the Axis powers out of Africa.

"The Near Eastern-Indian line, branching from Baghdad to Teheran, coming out from Baluchistan and India through the massive peaks of the Pamir range in Afghanistan, is still completely defensive. Here, say military experts, is the eventual target of the German Wehrmacht; here, they add, in the Near and Middle East, the decisive battles of World War 2 will be fought. The Caucasus is the key."

(ii) Wavell's Job.

"When Sir Archibald Wavell was suddenly transferred ... from the Middle East Command to India, and Auchinleck and Lyttelton installed in Cairo, Wavell had undergone a series of batterings which fetched an outcry from London and the Dominions for immediate and drastic change.

"Despite Wavell's sensational Cyrenaican victories and the important liberation of Ethiopia, the British military record in the Middle East was tarnishing rapidly - the withdrawal from Libya, the Balkan defeat and the loss of Crete, and the painfully slow Iraqi and Syrian campaigns, all combined to produce the worst possible outward effect. So Wavell was posted to India. His critics called it demotion.

"At the same time, military strategists as far away as Washington, scenting the possibility of a German drive on the Caucasus - with the attendant risk to Iran, Iraq, India's back-door and the Middle East - praised the Wavell-Auchinleck transfer as long-headed wisdom.

"Today, when Wavell has consummated his Iranian campaign, reinforced the weak link in the Near Eastern line and established direct liaison with the Soviet Army Allies behind the Caucasus, his critics are silenced".

(iii) Guarding the Oil.

"Military strategists here (in Ankara) and elsewhere throughout the Near and Middle East believe that Wavell will not move until the Germans are directly threatening the precious oil pipe-line and refineries of the Caucasus - hinting, even, that they think Wavell may rely upon Russian sabotage to wreck the oilfields of Batum and Baku and the Baku, Geoznui and Krasnodar refineries, falling back to defences protecting Iran's own oil-fields at Maidan-i-Naftun and the Mosul fields of northern Iraq.

"Oil experts and engineers in this part of the world insist that the Caucasian oil-fields and refineries can be rendered useless to Germany for 6 months to more than a year, despite portable German refining units which are said to be able to produce high octane aviation gasolene from what is called crude oil in only a few months.

"The problem of the British Indian command, however, is to stop Germany from getting the oil if possible, and secondly to maintain the newly established supply line from the Persian Gulf to the Caspian - pouring vital war materials into the Soviet - as long as the Russian army is still fighting."

(iv) Forecasts for Spring.

" 'That's the one thing that may force Wavell to send an army into the Caucasus', one leading foreign military expert told this correspondent early this week. 'If, as appears probable, the co-ordinated British air and ground force can save the oil of the Caucasus and keep that supply line functioning, then Wavell will undoubtedly send in his troops. Personally I don't think this is an immediate prospect - unless there is a whale of a German break-through in the south. It looks like a spring operation.

" 'But', he added, 'by spring-time a lot of things may happen. For one thing the Americans may have an expeditionary force in Africa and Iran. For another the British are going to let forth one hell of a show in the Western Desert that should take them all the way to Tripoli, maybe to Sicily, and crack up the Italians once and for all'. 'Finally', he concluded, 'don't forget that the Turks bar the way for a straight shoot to Syria, Palestine and Suez. And they're arming fast'."

(v) Turkish Views.

(Agronsky, October 18). "The Turks, who have seen the fall of government after government since the beginning of this war, are still of the opinion that even if Hitler sits soon in the Kremlin he will have arrived only at the first stage on a long hard road.

"No one here (in Ankara) is wearing rose-coloured glasses. It is generally admitted that though the Russian army itself may not be broken, the chances are a hundred to one for a long time to come that the Soviet role will be purely defensive. Furthermore, it is accepted here that even if the Soviets remain undefeated by next spring, Hitler will still have enough strength to spare to embark on the next stage of the war, and that stage, it is thought, will be to conquer the Caucasus and on from there to the Middle East.

"The Turks are not at all eager for the British to dissipate any of their strength in this part of the world on hasty or indecisive ventures. There may be much to be said for the British staging a diversion now to help the hard-pressed Russians; equally this may be the best time to smash the Axis in Libya.

"Against all this, however, should be stacked up the all-important facts that if the Nazi armies are able to advance past the Caucasus, the British army which moves to stop them must either be strong enough for the job or else be prepared to give up to Hitler, step by step, the British position in the Middle East".

III. GERMANY.

German Propaganda.

(i) The Peace Offensive Warms Up.

The German propaganda "peace offensive", of which the opening stages were explained in the 137th Guidance Notes of October 18 (Part 2) has since been referred to by Mr. W.A. Sinclair, in a B.B.C. broadcast, as "the most comprehensive propaganda campaign they have attempted since the war began".

This winter campaign, thinks Mr. Sinclair, will differ from most Nazi propaganda drives in being the same for all audiences, though there may be the usual differences in detail and emphasis. Its purpose is to "try and force or beguile those different audiences into thinking three things:

(a) "That Germany has already conquered Russia and Europe, and that the fighting now going on is only a vast mopping-up operation".

(b) "That Europe is already united in the New Order under Germany".

(c) "That in consequence Germany cannot be invaded and can now simply sit down and wait, until Britain and the U.S.A. and the still resisting peoples in the occupied countries come to understand (as they would say) all this, and give up the fight".

Evidence of such a propaganda programme has been abundant in enemy broadcasts directed to India and other eastern countries.

As regards (a) the German radio, with entire disregard for elementary logic, has ever since October 8 (six days after the opening of the assault on Moscow) continued to repeat assertions that the Soviet armies are encircled, crushed, destroyed, annihilated or unable to offer resistance.

As regards (b) the difficulties of Dr. Goebbels at this juncture are obvious. Nevertheless the news of resistance, sabotage and Nazi terrorism in the occupied countries has not dammed the flow of German propaganda on the "spiritual unity" of Europe.

Point (c) has of late been worked upon with increasing vigour and German propaganda has undoubtedly found ready nourishment in ill-advised advocacy of a British "diversion" in the West. To strengthen their case, the enemy have in recent broadcasts paid less attention than formerly to the possibilities of a German invasion of Britain, which they now represent as an island of little importance on the edge of an otherwise solid and secure continent.

To understand clearly these German purposes is to defeat their effect. No Nazi peace-feeler is anything but a move in the strategy of conquest and domination by force.

(ii) Ankara Stumbling Block.

German diplomacy and propaganda has for a long time been anxious to persuade Turkey that her interests are mainly attached to Europe and that there is a place in the New Order made ready for her.

There has also been evidence of increasing German pressure on Turkey, without making an open issue of it, to accommodate her news services, both Press and radio, to the general requirements of Axis propaganda.

The success of Turkish resistance to this pressure has been uneven, but that there has been strong resistance and that it has from time to time been successful are alike evident.

A particularly sharp thorn in Dr. Goebbels' side is the news service of the American correspondents in Ankara to the New York Times (quoted above, Part 2), for which time on the Ankara radio programmes is hired by the American paper as a normal commercial proposition.

Recent articles in the Turkish Press (three within one week) have attacked American journalism and American foreign correspondents under obvious Axis inspiration.

The American journalists in Ankara have replied vigorously but impersonally to implied threats. One of them, however, (Mr. Brock Oct. 20) quotes an American in Ankara as saying: "I think that this is a dangerous thing about which questions may be asked - soon".

IV. MEXICO

Britain's Resumption of Relations with Mexico.

The British decision to resume diplomatic relations with Mexico has been taken largely as a result of the extremely anti-totalitarian and pro-Allied views of the present Mexican government and with the object of keeping in line with the United States' "good neighbour" policy which will be helped considerably by this decision.

(i) Mexico and the U.S.A.

In a firm speech reported on September 2, President Camacho condemned German aggression, justified the closing of German consulates in Mexico and mentioned that several Axis vessels which had been seized were already being used for the promotion of inter-American trade. Don Padilla, the Foreign Minister, also made it known that Mexico intends to stand by the Havana Declaration and would consider an attack on any American nation as an attack upon herself.

Following discussions in Washington, a U.S.-Mexican convention providing for reciprocal use of airfields for not more than 24 hours by

any one plane, thereby permitting U.S. planes to reach Panama in the shortest possible time, was signed on April 1 this year. The Mexican Government also agreed to spend £2½ million for the improvement of her ports and to recondition the naval bases at Vera Cruz, Leguna Del Carmen, Acapulco and Margarita Island, for the defence of the Western Hemisphere.

(ii) The Oil Question.

The British rapprochement with Mexico does not mean that the oil dispute which started when the former President Cardenas expropriated the British oil company has been settled. The way has, however, been paved for an amicable discussion later on.

President Camacho is a moderate leftist politician, who has realised that Mexico must walk before she can run, and has mitigated the rigour of most of his predecessor's stringent measures. His "Six-Year-Plan" tempers the extreme measures of nationalisation of the oil industry and expropriation and redistribution of land, with measures to co-operate with private industry and the "gradual reparation of social injustices". He also tried to reach a settlement on the oil question by reinstating the foreign companies on a joint-operation basis with the Government, but failed.

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CONFIDENTIAL

HUNDRED-FORTIETH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED OCTOBER 28, 1941

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POLICY

(1) Intensity of Moscow battle continues, but legend of German invincibility is already exploded. Most useful comparison is with Verdun, where German failure had slow but cumulative repercussions.

(2) Problem of defeating German menace to Asia is largely one of supply demanding maximum effort from whole Commonwealth.

(3) German hostage terrorism, especially in France, should be stressed as index of failure of New Order.

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Ms.

I. RUSSO-GERMAN WAR.

(a) The German Crisis.

(i) Week-end Triumphs.

It has been pointed out frequently in these notes that German propaganda is a highly organised weapon of offence, functioning independently of the Luftwaffe and the Wehrmacht, but subserving the same war-strategy.

Over a long period the progress of German land and air forces clearly has its effect on the use of the propaganda weapon. But from day to day, and sometimes from month to month, the propaganda programme is not essentially modified by the activities of the armed forces.

Thus the system of announcing a victory every week-end has been followed for propaganda purposes irrespective of whether there happened to have been at that moment a suitable achievement to celebrate. Last week-end's special announcement of the "fall" of Kharkov was the sixth of its kind in succession. Previous week-end "triumphs" were:

Sat. Sept.20	Entry into Kiev claimed.
Sat. Sept.27	"End of the Kiev battle" and "annihilation" of Budenny's armies.
Fri. Oct.3	Hitler's announcement that the whole campaign was already victorious.
Sat. Oct.11	Second official "annihilation" of Budenny's armies.
Sat. Oct.18	Official "annihilation" of Timoshenko's armies.

There can be no doubt that in this programme the fall of Moscow had already been expected to occupy a place; but although the annihilation of the armies defending it has been achieved by the German radio it has so far shrunk from the risk of "capturing" a city that may still be fighting back next spring.

(ii) The Meaning of Moscow.

On October 21 Berlin reported that "the Germans continue with undiminished vigour to hammer at the outer defences of Moscow".

The contrast between that statement and the exultant claims which succeeded it is a measure of German failure against the Soviet capital. Despite their tremendous efforts and their losses in men, material and time (the Russians estimate enemy losses in killed and wounded as 300,000 in 20 days) the Germans are much further than they calculated from attaining their objectives -- the destruction of Russian resistance in the central sector and the capture of Moscow.

While applauding the magnificent quality of the Russian effort, and recognising increasing difficulties which the Germans have to face as the weather deteriorates, it would be obvious folly to under-estimate (as the Russians themselves have never done) the peril in which the defenders of Moscow still stand.

It is clear that the Germans have thrown in fresh reserves, and in this fierce and almost desperate assault a swift concentration of superior weight in men and metal may at any hour overwhelm heroic but exhausted defenders at a given point and permit a break-through. Such a break-through might be decisive as regards Moscow itself, but no further.

If on the other hand the central core of Russian resistance remains unbroken when winter really sets in, the German position both at home and abroad will have taken a downward trend of which the effect, though doubtless not at once apparent, will be cumulative and may finally be catastrophic.

(iii) The Time-Lag for Russia

But if that core of resistance survives -- and there are many indications that it will -- it will nevertheless have been so gravely weakened by losses of material, and still more important of vital industrial production in the Moscow region and in the Donetz Basin, that only British and American aid can fill the gap and reconstitute the Russian armies as a major fighting force by next spring. Expert statisticians estimate that if the Russians were to fall back on the lines of the Don and the Volga their own factories and raw materials in the east could be developed so as to convert their armies once more into a first-rate military machine in twelve months' time. That is obviously not good enough. The time-lag must be halved at least. That is the measure of the peril and the measure of the opportunity which is presenting itself to the peoples of the British Empire and the United States. They must not and will not fail but nothing less than an all-out effort will suffice.

(b) Supplies for Russia.

It is now becoming clear how the supply line to Russia is being organised.

(i) Iran.

In Iran roads are being built and the railway extended to take 3,000 tons of goods per day. This may be compared with the 400 tons per day over the Burma Road, as reorganised by the American John Earl Baker.

(ii) Archangel.

American supplies are being sent to Archangel via Boston because the sea-route is shorter to the front than via Vladivostock. The main American industries concerned are also situated near the Atlantic Seaboard

(c) The South.

Perhaps the most significant indication of the inner thoughts of the German High Command about the battle of Moscow is the official announcement from Berlin that the next momentous event will be a German victory in the Donetz Basin and the capture of Rostov at the mouth of the Don. The importance of this coming development, it was explained, would consist in cutting of the Russians from their shortest route to Iran and British and American supplies, and forcing all traffic from the Caucasus (for example from Baku) to pass up to the Caspian and Astrakhan and thence by rail or by the Volga and the Don through Stalingrad. Moreover, it is pointed out that the capture of Rostov would virtually exclude Russia from the Black Sea. The fall of Stalino in the north-west means that the Germans are within striking distance of Rostov and have widened their front as a protection against a possible Russian flank attack upon their very extended lines of communications. If Rostov falls, it is expected that a German expedition across the Black Sea from the Bulgarian ports of Varna and Burgas towards the Caucasus would largely depend on the capture of Sebastopol. The Crimea, against which tremendous attacks are evidently in progress, is even better situated for prolonged resistance than Leningrad.

(d) The Logic of Events.

Events during the summer and autumn of this year reveal a remorseless logic which is both an encouragement and a warning. It is now clear (as Hitler admitted on October 3) that the Germans were compelled to attack Russia in June because they did not dare to risk a repulse in Britain with an unbeaten Russia in their rear. They have since been compelled to seek a decision in Russia, which means destroying the Russian army as a fighting force because they dare

not face a powerful Russia and more powerful Britain next year. Hence their desperate attacks and huge losses against Moscow. Again, their failure to crush the central Russian army has compelled them to seek a way round it by means of a thrust to the Caucasus in the hope of cutting off the main army's supplies. Thus, through stage by stage of frustration, they draw near Iran and Iraq. The process is an encouragement, because this logic is not German logic, and it represents successive Nazi frustrations. It is a warning because it brings the main centre of action nearer to India and stresses the importance of speed in Allied cooperation and preparations.

II. JAPAN

(a) The New Cabinet.

The composition of the new Japanese cabinet confirms the general impression that the fall of Prince Konoye was due to military dissatisfaction with his policy of a settlement with America. General Tojo was the War Minister in the last cabinet, and is a well-known leader of the Japanese "forward" military school."General Tojo and the key members of his new cabinet have largely devoted their lives to military, naval, and war strategy business," wrote the Japanese Times and Advertiser, generally regarded as the mouthpiece of the Foreign Office. It is interesting to note that Mr.Tojo,the new Foreign Minister has had long diplomatic experience in Russia and that Mr. Nishi, the Vice-Minister, is also an expert on Russian affairs.

(b) Japanese policy.

(i) Declarations.

Pointers to Japanese policy are to be found in the following statements:-

(1) The Japanese radio on October 16 announced "the resignation cannot change the fundamental national policy of Japan which is,

The settlement of the China Affair.

The establishment of the Greater East Asia Co-prosperity sphere.

Adhesion to the Tripartite Alliance.

These are fundamental national policies of the Japanese Empire, which cannot be affected by any change of the Cabinet."

(2) The Japan Times and Advertiser commented on the new Premier: "the logic of having a trained and expert military administrator is too obvious to need special emphasis."

(3) General Tojo said on October 18: "Internally we must consolidate our wartime structure, while externally we must strengthen our ties with treaty nations."

(ii) Action.

Japanese desires and intentions have thus been made sufficiently clear. But there has been so little action that some explanation seems to be called for. Reports of troop movements in Manchukuo and Indo-China and the opening of a commercial air line to Deli in Portuguese Timor seem a poor result for such trumpetings.

(c) Japan and the Russian campaign.

The explanation may be found in the close synchronisation of Japanese policy with the campaign in Russia.

In July last the formation of Prince Konoye's more warlike cabinet coincided with the period of rapid German advance in Russia, when they expected to be in Moscow by the beginning of August.

On October 1 the latest German offensive began.

On October 3 Hitler spoke claiming, with truth, large German successes.

A number of facts suggest that the Germans were very near success about the middle of October.

(i) On October 18 the Russians reported that "the situation had deteriorated" and that a break-through had occurred.

(ii) On the same day they asked the foreign diplomats to leave Moscow at a few hours' notice.

Isvestia spoke of "danger hovering above Moscow."

(iii) On October 16 the Japanese cabinet resigned to make way for General Tojo's government.

A further series of coincidences may be noted.

(i) About October 20 the Berlin radio and press began warning the German people against an early conclusion of the campaign, in spite of the "annihilation" of Marshal Timoshenko's army.

(ii) The Germans also began complaining of the weather.

(iii) The Japanese press on October 25, suddenly discovered that Col. Knox's statement about the "virtual inevitability" of war if Japan pursued her aggressive designs, was considered "inconceivable" in "well-informed Japanese quarters."

On October 26 it complained of the American failure to recognize the "righteousness of Japan's co-prosperity policy."

The conclusion suggested by these facts is that the Japanese militarists forced a change of government because they believed Russia was about to collapse, and that, disappointed once more, they are once more in a state of indecision.

3. ICELAND.

Resignation of the Government.

The resignation of the Icelandic Government has come about as a result of its attempt to introduce a measure for fixing prices, regulating the cost of living. Long before the Althing re-assembled, there had been a growing demand for a general election and the vote on the price-fixing proposal was seemingly the occasion rather than the cause of the Government's overthrow.

The rise in the cost of living in Iceland is an incidental result of the boom resulting from the occupation, accompanied by great and growing prosperity for many sections of the country.

Iceland's normal population of 120,000 has been subject to a large increase and it is only natural that some degree of economic disorganisation should result. This, however, has in no way been due to the policy of Britain and the U.S.A., who have taken every measure to safeguard Iceland's economy and independence.

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CONFIDENTIAL

HUNDRED-FORTY-FIRST BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED NOVEMBER 1, 1941

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POLICY

(1) Defence of Moscow continues to be stubborn and successful. Stress German declared aim to break Russian resistance, which even fall of Moscow would not now effect.

(2) Situation in Donetz region is serious and Russian losses of industrial centres should not be minimised. Show whole campaign against background of German world-ambitions which must finally fail.

(3) Allied victory alone can ensure security of Afghanistan and Mid-East countries. In guarding against Axis threat Afghanistan acts in own interests as independent neutral.

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Ms.

1, RUSSO-GERMAN WAR

General Appreciation

(a) The Russian Front in a World War.

In attacking Soviet Russia on June 22nd, Hitler lifted the war on to a world plane. Here and there hasty commentators (of the same type that is now suggesting a diversion of British forces from the vital Middle East front, of British supplies from Russia, and of British ships from the Atlantic, for an offensive in the West) were found to treat the German invasion as a rashly undertaken adventure in which the two opponents could be allowed to destroy themselves while the rest of the world looked on. From dogmatic ideologists there were still wilder guesses, of the type that Germany had in fact endeavoured to foster. But in London and Washington the world-wide nature of the German challenge, so long threatened and now made openly, was at once recognised.

After more than four months of intense struggle on the Russian front it is still against that background of Hitler's vast ambitions, and the courses into which he has been led in the attempt to implement them against growing opposition, that the day-to-day situation must be appreciated.

Briefly stated, the reasons behind the German attack on Russia were and are the following:

(i) The resistance of the British Isles, which on the German programme should have been broken in the autumn of 1940, had proved so strong that Hitler, on his own confession, dared not make another attempt without first removing the "danger to his back".

(ii) The continued fruitful employment, necessary for reasons of morale, of the large German forces maintained under the total war-organization of Nazi Germany, was at this stage feasible only in an eastern direction.

(iii) Germany's deteriorating supply position, as compared with the gradual but cumulative mobilisation of the resources of the Allies and America, made it essential for her to exploit Russian material wealth to a degree not achievable by peaceful "collaboration".

(iv) Associated with (iii) was the hope of defeating the British blockade by the consolidation of a land-power so great that British sea-power might be nullified. On September 14 the official Nazi paper Das Reich admitted: "We can only win the present war by breaking British sea-power".

(v) The Russian campaign, envisaged as bringing success whthin three months, was intended as a prelude to the decisive assault, which had failed from other directions, on the British position in the Middle East.

(vi) Finally -- and this factor clearly had great weight in German plans -- important political results were expected to follow the attack on the Soviet. It was intended to confuse opinion in Britain and America, to consolidate anti-Soviet opinion in occupied Europe, and to encourage aggressive opinion in Japan; all of which should have led to a position where Germany could say (as she is unconvincingly saying now) that further Allied resistance is both useless and impolitic.

(b) Factors for and against Germany.

Having taken the decision to attack Russia, Hitler calculated that the factors in his favour far outweighed those against him. They may be described as follows.

(1) Mechanical Strength. The greatest advantage enjoyed by the Germans was their superiority in mechanical strength. The combination of air and tank superiority had brought them victory in Poland, France and Greece and tank strength had been further built up through the previous winter and augmented by the exploitation of occupied Europe. General de Gaulle's recent figures suggest a basis for Hitler's calculations. In Poland, he said, there were 5,000 tanks against 1,000, in France 10,000 against 3,000, in Russia there are 25,000 against 15,000.

Air power alone had brought victory in Crete and the Germans almost certainly believed that their real strength was greater than their actual strength; they believed that the Russians were inefficient , and that they themselves had a greater supply of modern planes.

(ii) Surprise. Apart from material superiority the Germans reckoned on surprise to win half the battle as it did in Poland, Norway, Holland and Belgium. It is known that surprise did in fact cause heavy Russian losses at the outset.

(iii) Hitler hoped for a Russian fifth column, for which purpose he had several puppets, of different nationalities like the Ukrainian General Skoropadsky , in waiting. In particular he possibly counted on Ukrainian discontent and Russian peasant dissatisfaction with collectivisation.

(iv) In addition he hoped for world sympathy in an attack against Communism, which he tried to capitalise in his anti-Bolshevik crusade. (See (a) (vi) above)

(v) Finally, he counted on the support of Japan, if not to go to war in the Far East, at least to immobilise the Russian Far Eastern army and large imperial forces at Singapore.

The Other Side of the Medal.

On the other side of the medal there were certain factors to be reckoned with.

(i) Economic Reserves. A Russian war would use up German war material, especially oil, at a great rate, and the campaign, to be successful, would therefore have to obtain an early decision which would enable Germany to exploit Russian resources within a reasonable period. Germany could not afford to be bogged permanently in Russia, for then her supply position would steadily deteriorate.

(ii) The Danger of Delay. The Russian war would require the bulk of Germany's strength. If Germany was to deal Britain a knock out blow or to continue the war indefinitely, she must obtain an early decision. Otherwise she would become too exhausted to attack Britain, and be exposed to the force of British and American armaments.

(iii) Historical Precedents. The fate of Charles XII of Sweden and of Napoleon in 1812, suggested the magnitude of the difficulties involved. The fact that both these conquerors were defeated as

much by supply difficulties and the effect of attrition as by the weather, may have encouraged Hitler, with his greatly developed supply arrangements and trust in blitz technique, to take the fate of these two men lightly.

(c) Military Objectives.

(i) Germany. The primary German objective was the destruction of the Russian Army as a fighting force. Once this was achieved the elimination of the Soviet government, its replacement by a Quisling regime and the exploitation of Russian resources would follow. Germany could then turn back for a life and death struggle with Britain, or embark with confidence upon a war of attrition.

(ii) Russia. The Russian objective was to maintain her armies intact in the field while mobilising her vast reserves and waiting for outside help. For this purpose the Russians pursued their traditional policy of trading territory for time, and dealt with the new problem of industrial areas so valuable to the enemy on capture, by the scorched earth policy.

(d) The Course of Events.

The course of events is explicable on the basis of these considerations. The German attempt to reach Moscow by a lightning thrust failed at the Battle of Smolensk. The great pincer movement north and south, which was to enclose the whole Russian army, failed before Leningrad and the resistance of Odessa. A third attempt to encircle the central armies at Moscow, has also failed, and the Germans have now fallen back on attempts to obtain winter quarters in Moscow and by means of the southern drive, to cut off the main Russian armies from their oil supplies. The scorched earth policy has baulked them of their hopes for fresh sources of supply.

The Russian armies on their side have suffered great losses both as the result of the original surprise and because a retreating army of necessity leaves all its damaged mechanical equipment behind. Even more serious is their loss of valuable supply centres in the Ukraine and elsewhere. But the Russian armies are still in being and their resistance and spirit unbroken. Britain and America at the Moscow conference have undertaken to replace losses of material.

(e) The Present Situation.

(1) Heavy fighting continues before Moscow, but rain, snow and slush are rendering movement increasingly difficult and greatly increasing the strain on the troops. These conditions may be expected to last for about a month, after which the ground will become hard and movement may be facilitated.

(ii) In the south, the Germans have taken Kharkov and Stalino, but the rate of their advance has been slowed down. They have been halted in their drive to Rostov. Even if the Germans have broken into the Crimea, as they claim, they are far from reducing this hilly and well fortified peninsula and Sebastopol which, in Russian hands, is a constant threat to German communications in the Ukraine, may well become another Odessa.

(f) The Future.

Germany wants three things and wants them quickly, They are:-

(i) Winter Quarters.
(ii) A prestige success.
(iii) Oil

The first two would partially be satisfied by the capture of Moscow. For the third it is necessary not only to cut off the Caucasus from the main Russian armies, but to seize the wells themselves.

(i) Results of the Capture of Moscow. Moscow would provide winter quarters, a prestige success and a valuable railway centre. But winter quarters would be, to put it mildly, much demanded. German prestige is already tarnished by the long delay, and the Russians have had time to organise a fresh defence line to the east.

It is now clear that the Russians will fight on, whatever the fate of Moscow. Moscow will not be a Russian Paris, but a Russian Nanking; the Russians are prepared to resist, like the Chinese, in the interior.

British and American supplies via Iran and Archangel must always make the Russian position much stronger than the Chinese. The Germans would be unable either to beat the Russians finally, to get out of Russia, or to stay on indefinitely.

The chief adverse effect of the fall of Moscow would be the increased danger to Leningrad whose fall would open to the Germans another supply route via the Baltic.

(ii) The Caucasus.

An immediate advance to the Caucasus means crossing a mountain range 900 miles long rising to 16,000 ft. in places and subject to a very severe winter.

To cut off the oil supplies would mean an advance of over 200 miles from Rostov to Stalingrad. Even then the supply route would not be completely cut and Russia has other oilfields (the new Baku) to the north-east of the Caspian Sea. She could carry on the struggle even without Caucassian oil.

(G) General Summing up.

(i) The Germans have advanced so far because of their superiority in mechanical equipment, specially tanks. But they have not broken Russian resistance because their superiority in material was not overwhelming and because of the wholly unlooked for heroic spirit of Russian resistance. This spirit may prove a decisive factor in the war.

(ii) British and American production has been proceeding undisturbed at a rapidly increasing rate.

(iii) Germany's main war strength has been concentrated on one front, from which she cannot now disengage herself.

(iv) The war has thus been turned against Germany's wish into a war of attrition. German reserve in manpower and material are being depleted at the same time as her lines of communication have been rapidly lengthening. There will come a time when even German resources will be unable to stand this strain.

(v) The haste with which successes like that in the Crimea are magnified shows growing anxiety about the home front, which has been trained to expect quick victories and dread a long-drawn out war of attrition.

(vi) Occupied Europe grows increasingly restive in the German rear, requiring large numbers of men whose morale is sapped by hostile peoples.

(vii) The position in which the Germans now find themselves resembles that in which they were placed after their failure before Verdun in 1916. In spite of spectacular successes, final victory eludes their greatest efforts, and they have before them an

endless vista of growing resistance before them, and growing hostility behind them. Italy is a liability and the Balkan States with their increasing feuds, a continual anxiety.

(viii) All these favourable factors can only operate if allied effort continues, not only undiminished, but growing to its maximum possible strength. We have now reached a position where -- Mr. Churchill's words on October 29- "we are sure of victory if only we persevere."

2. AFGHANISTAN.

(a) The Middle Eastern States in German Plans.

From the moment that the German armies, unable to attack Britain in the west, were flung eastwards against Russia, it became apparent that the countries of the Near and Middle East, on the perimeter of the great European battlefield, might sooner or later find themselves directly across Hitler's path towards world domination.

Though there are some grounds for believing that Hitler's main strategy is now to hold off Great Britain, the centre, until he has smashed the British Empire at the perimeter, the hope of breaking British resistance in the world-struggle by an attack on the British forces in the Middle East, is only one of the compelling motives behind the German eastward thrust. Other motives, such as the acquisition of supplies, the employment of the German armies, and the extension of German power towards an apparently impregnable position, would have operated powerfully even if there had been no single British or Empire soldier on the Nile-Caucasus front. Such a situation would indeed have been an irresistible invitation to the Axis.

(b) Afghanistan's attitude.

Among the countries threatened by the German advance is Afghanistan, and thereby India also. The Afghans have run true to their own best traditions in deciding to expel Axis nationals from their country.

The Afghan instinct, when threatened from outside, has always been to set aside local feuds and to combine against a common danger. Recognising that the Germans and Italians in Afghanistan have occupied positions from which they could seek to exploit differences in the Axis interests and against those of the country in which they had accepted hospitality, the Afghans have decided that they cannot tolerate abuse of that hospitality.

The representative Afghan Government have means of keeping their hand on the pulse of the Afghan nation, and they may be trusted to do so.

Finally there is no doubt that the Afghans have acted, not in the interests of any other power, but in their own interests in guarding the independence and neutrality on which they rightly set a high value.

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HUNDRED-FORTYSECOND BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 3RD NOVEMBER, 1941.

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POLICY

1. In Russian campaign original German plan was Moscow first, Ukraine second. Russian resistance has forced them to risk Ukraine thrust with Moscow still fighting. Avoid speculation on possible Anglo-Russian campaign in Caucasus. Among German difficulties publicise all reports of inadequate medical services.

2. Stress world-wide horror at German hostage-terrorism in Europe.

3. Treatment of Smuts' support of Balfour Declaration should make point that best Arab prospect of reducing danger, real or imaginary, of Jewish nationalism, lies in Arab unity.

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1. RUSSO-GERMAN WAR.

(a) Operations.

(i) Moscow.

The Russian defence of the approaches to Moscow has solidified to a marked degree, particularly in the neighbourhood of Kalinin, where the German thrust has been most dangerous; and although new massed attacks are evidently developing from the South-west to force a crossing of the river Nara, the Russians have the advantage of the fact that it is easier to stand fast in a sea of mud than advance. In fact it is true to say that the more the fighting round Moscow approximates to siege-warfare the more effective the Russian resistance is likely to be.

At the moment, the most serious feature of the long protracted battle for Moscow is the progress made by the German thrust from Orel towards Tula. Moscow communiques admit that this thrust is "menacing", and it is clear that if this thrust succeeded in advancing much further the whole Moscow situation would be seriously affected.

(ii) The Ukraine.

In the south the situation is critical for here it is a war of rapid movement. The speed with which the Germans and their satellite associates have advanced along the shores of the Sea of Azov towards Stalino and within ten miles of Rostov seems to indicate that the Russian forces have been thrown into confusion and have lost cohesion. To form and hold a front under such conditions (a military commentator has remarked) is one of the most severe tests which a newly appointed commander can be put to. There are, however, encouraging factors in the situation. In the first place, it is reliably reported that continual rain and sleet has grounded German dive-bombers and that it is holding up their transport, thus (for the first time since the southern offensive got under way) providing the Russians with an opportunity to break off engagements and re-form on prepared positions. Furthermore, Marshal Timoshenko, who has a high reputation as a strategist, has the advantage of being well acquainted with the Donetz country where -- like Marshal Voroshilov -- he fought the Germans in the last war.

Behind Marshal Timoshenko, Marshal Voroshilov has been given the vital task of building up a system of mobile defence in depth with fresh reserves. This commander, it will be remembered, was specially summoned to Moscow to attend the Three-Power Conference on supply, and he has proved himself to be a first-rate military organiser.

With Stalino and the great industrial and rail-road centre, Kharkov, in German hands, the factories and mines of the Donetz Basin are for all practical purposes already lost to the Russians. It is a serious reduction of their war potential but the injury sustained should not be over-estimated. The Russian loss is not proportionate to the German gain. There, as elsewhere, the "leap-frog" process (as M. Stalin has described it) whereby skilled workers, plant and machine-tools have been moved back from the fighting zones, has been in progress for some time. It is for British and American supplies to make up the deficiency.

(iii) The Crimea

The German week-end claims to have taken Simferopol, the capital of the Crimea, about 30 miles north-east of Sebastopol, has yet to be confirmed. Should it be true, it by no means involves the loss of Sebastopol. Once the Perekop isthmus had been forced, the natural second line of Russian defence would run along the Jarla hills, just to the north of which Simferopol lies. Apart from these hills, Sebastopol has its own ring of defences by land as well as by sea.

The next German objective in the Crimea may well be Kerch, its eastern port commanding the Kerch strait into the Sea of Azov. From here they might attempt to cross the strait, so harassing Rostov and proceeding straight to the naval base of Novorossisk. But in any such attempt they would have to reckon with the guns of the Black Sea fleet.

(b) Possibilities Reviewed.

(i) German ambitions.

The vital question is whether Marshals Timoshenko and Voroshilov, between them, can halt the German advance in the South. The issues at stake must be squarely faced. If Rostov falls (and weather conditions permit) the Germans will have the alternative of attempting to strike south and south-east along the railway to Baku, or to march due east against Stalingrad and the Port of Astrakhan in the mouth of the Volga.

The former course appears to be improbable in winter. The distance to Baku is about 1,100 miles and in the last 400 miles this route follows a coastal strip between difficult mountains and the Caspian Sea. The strip is not more than 20 miles wide and could be defended even against superior forces. A way to Baku is from Batum on the Black Sea, but a landing of a sea-borne German expeditionary force there, while the Russian Navy was still able to operate from Sebastopol or Novorossisk, would be a precarious adventure. On the other hand, one of the lessons of the war is that physical difficulties which might have been expected to stop the German armies, have frequently been surmounted.

A successful German drive on Astrakhan would have two principal results. It would deprive the Russians of the oil-wells and refineries of the Caucasus and it would cut the supply lines -- both overland and by way of the Caspian -- between Persia and the Soviet Union along which British and American armaments are beginning to flow.

(ii) German difficulties.

In facing the inherent dangers it is equally necessary to recognise the opportunities. To reach Astrakhan the Germans will have to cross a 700 miles frozen steppe and thereafter keep open lines of communication during the rigours of a Caucasian winter when snow-drifts make movement impossible for weeks on end. Moreover, unless Marshal Timoshenko, contrary to all reasonable expectations, completely fails to reorganise the army of the south, the Germans will have exposed a very long left flank to a harassing attack.

It can hardly be too strongly emphasised that the German advance on Rostov was timed to follow and not to precede the fall of Moscow. As long as Marshal Zukhov holds the Moscow defences, the German advance to the south becomes more perilous the deeper it penetrates.

(iii) The Empire Front.

Such roughly appears to be the situation on the northern end of the Caucasian pivot. At its southern end there is the continuous British Front from Tabriz to Tobruk -- a front that was constructed with daring and foresight at a time when Britain (the central citadel of world resistance) was exposed to the full fury of German air attack and threatened by an imminent possibility of a full-scale invasion. In the north, the Caucasus mountains and Marshal Timoshenko; in the south Generals Wavell and Auchinleck; and in the Mediterranean Admiral Cunningham. During the coming months all the three commanders will encounter great hazards and great opportunities.

As we stand on the threshold of a supreme crisis of the war, there is no justification for anything except cold realism. More than any one else the issue depends on the factory workers of the British Empire and the United States -- not only the workers who are producing tanks and aeroplanes, big guns and ships, but those also who are turning out thousands of other articles, less spectacular in themselves but vital to the Commonwealth's great war effort. India in particular is giving splendid service in developing her manifold industries under well-planned organisation in such a way that other sectors of the vast factory-front can concentrate on the work for which they are specially suited.

Do not underrate the value of India's supply effort, even though it may not include tanks, aeroplanes, heavy guns or big ships. The smaller arms have got to be made by somebody; the larger arms by those who can make them at once.

2. THE FAR EAST.

(a) Japan's Dilemma.

The so-called "co-prosperity" policy to which Japan has committed herself can only be pursued beyond a certain point at the risk of a general war with all Powers whose interests are threatened. This fact sufficiently accounts for the feverish activity of Japanese statesmen and the anger and impatience of the Japanese Press, for it represents a dilemma which Tokyo has hitherto avoided and never seriously anticipated. Japanese diplomacy is very similar in execution to German military strategy, namely, to probe for "soft spots" and exploit them individually as they occur. The acquisition of control over French Indo-China was a perfect example of this policy in action.

Her miscalculation has been that she assumed that German success in Europe had put a premium on aggression everywhere, whereas in fact ~~it produced~~ just the one situation which Japanese ambition had cause to fear, namely a world-wide combination to defeat aggression whereever it might occur. The Soviet Union, at the northern end of her intended sphere of domination, became the ally of the British Empire whose vital interests Japan is threatening in the south, and both are in receipt of substantial American support.

In other words, the German drive for world domination has spoiled Japanese plans for Asiatic domination by creating a united front against both. Japan has found herself in a position where her peacemakers are afraid to make peace (for fear of her militarists) and her warmakers are afraid to make war (because of the A.B.C.D. front).

(b) <u>Japan's choice</u>.

Japan has now to choose. She can join the Axis in deed as well as in word, knowing that thereby she imperils her existence as a great power, and will be the junior partner of a predatory power already known to have an oriental appetite. Alternatively, she can try to reach an understanding with the Democracies, which, whether Japan likes it or not, would involve closing the "China incident."

(i) <u>The American negotiations</u>.

Her latest moves suggest that she is doing the latter without the willingness to make the only concessions which America would consider adequate - i.e. renouncing aggression, specially in China. The Konoye cabinet fell because it could find no way out of this dilemma, and the Tojo cabinet finds itself in the same position. Exasperation at this situation explains the new and violent attack on the United States just launched by the Japanese Press.

(ii) <u>Eyes on Singapore</u>.

It is always possible that this exasperation may get the better of Japanese discretion, and that caution may be thrown to the winds. General Wavell's visit to Burma and Singapore, and his conference with Air Chief Marshal Sir R.Brooke-Popham, shows that this possibility is fully realised, and serves to demonstrate how closely knit is the whole system of defence in the East, from Tobruk and Libya, through Syria, Iraq and Iran to Burma, Singapore and the East Indies.

(c) <u>The Allied Front</u>.

Evidence continues to accumulate that the Allied front is as firm in the Far as in the Middle East and that this firmness is bearing fruit. The latest sign is the lapsing of the Dutch-Japanese oil agreement without even an attempt by the Japanese to secure its renewal. Under this agreement 1,300,000 tons of oil was to have been sent to Japan annually, but in actual practice shipments have been in abeyance since the freezing of Japanese assets in the summer.

The opening of a Thai consulate in Australia shows that Thailand has no intention of being intimidated by Japanese threats. Reports of Japanese plans for an attack on the Burma road indicate their anxiety at the volume of help which is now reaching China along it.

General Wavell's visit to Burma and Singapore is no mere pleasure-trip. The Middle and Far Eastern front is one and indivisible. In the middle of it lies India, the strategical pivot and the centre of supply.

3. <u>PALESTINE</u>.

<u>General Smuts on the Balfour Declaration</u>.

In view of the probability that the statement made by General Smuts in Johannesburg on November 2 may be distorted by the Axis for purposes of disruptive propaganda, the following points should be borne

in mind in verbal or other treatment of this admittedly difficult question.

(i) Arab Unity.

General Smuts definitely put forward the hope that the solution of the Jewish problem might form part of a general settlement based on "the prospect of a large Arab confederation in the Middle East".

The attainment of Arab desires for greater cohesion should lead to a position where the Jewish question is no longer seen as a menace to security and prosperity but as an issue to be tackled by a strong and confident confederation. Competition should in such circumstances be naturally replaced by collaboration.

That British sympathy and support are offered to the Arabs in their aspirations for unity was clearly declared by Mr. Eden in London on May 29.

"The Arab world", he said, "has made great strides since the settlement reached at the end of the last war, and many Arab thinkers desire for Arab peoples a greater degree of unity than they now enjoy.

"In reaching out towards this unity they hope for our support. No such appeal from our friends should go unanswered. It seems both natural and right that cultural and economic ties between Arab countries - yes, and political ties too - should be strengthened.

"His Majesty's Government for their part will give their full support to any scheme that commands general approval".

(ii) Jewish Nationalism.

General Smuts spoke only of a Jewish "national home", and not of Palestine as a Jewish State. This is in accordance with the British Government's interpretation of the Balfour Declaration.

On May 17, 1939, a White Paper approved by the British Parliament stated: "His Majesty's Government declare unequivocally that it is not a part of their policy that Palestine should become a Jewish State".

(iii) Axis Guilt.

The proven guilt of the Axis powers in embittering the issue in Palestine gives rise to the hope that their defeat will usher in a period in which the problem can be freshly and openly tackled.

Germany herself must bear a large responsibility for the dissatisfaction felt by Palestinian Arabs during the years before the present war. While the figures of Jewish immigration into Palestine had been kept as low as 5,249 in 1929, 4,075 in 1931 and 9,553 in 1933 (first year of the Nazi regime in Germany), they jumped to 42,359 in 1934 and 61,856 in 1935. The reason is clear - deliberate and inhuman persecution of the Jews in Germany, from which the Nazis hoped for the by-product of difficulties and disturbances in Palestine and the Arab world generally.

(iv) A question of Conscience.

"It is not merely," said General Smuts, "a case of promises and international law but of the conscience of mankind." At that bar of conscience Arabs have the same right of appeal as Jews, and when the powers dedicated to dissension and domination have been defeated the Arabs will not look in vain for justice.

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HUNDRED-FORTY-THIRD BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED NOVEMBER 8, 1941

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Stress candour and courage of Stalin's speech as typifying unbroken Russian resistance against tremendous German effort. Stalin's reference to miscarriage of German plans is borne out by German announcement of new offensive against Moscow five weeks after "final battle" had been begun.

2. On question of Allied action take line that Germany must finally meet full sea air and land power of Britain and industrial power of America under progressively difficult conditions for herself.

3. Publicise all evidence of Nazi opposition to religion in theory and practice.

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1. RUSSO-GERMAN WAR.

(a) Operations.

(i) Moscow.

The Germans have reported a fresh offensive which is to decide the fate of Moscow within a few days. This unusual announcement may be intended to satisfy the German public's uneasiness at the prospect of a winter campaign in the open outside Moscow. The latest news indicates that this offensive has been held, particularly at Tula, where fighting has been very fierce, and that the Russians have regained ground at Volokolamsk.

Stalin's continued presence in Moscow suggests that the Russians hope and intend to hold on indefinitely. This spirit has been confirmed by Mr. Sumner Welles in conversation with the Finnish Ambassador in Washington. The U.S. Government, said Mr. Welles, had every reason to believe that Russia could fight on successfully and for a protracted period.

(ii) The Crimea.

The situation in the Crimea continues to be grave, but resistance is unbroken and the Russian spirit unflagging. The Russians apparently intend to defend Sebastopol, of which the outer works extend 20 miles from the town, and Kerch, which guards the entrance of the Sea of Azov; and they have been retiring in these two directions ever since the Isthmus of Perekop was forced. Sebastopol cannot be used fully by the fleet if closely invested, and the main Russian naval base will therefore be Novorossisk. This makes the defence of Kerch important because its possession would enable the Germans to launch air attacks on Novorossisk. In its defence, however, as well as in that of Sebastopol, the Black Sea fleet should be able to play an important part. Besides Novorossisk, the Black Sea fleet has less well developed bases at Poti and Batum.

A sidelight on the scorched earth policy is provided by the news that all unfinished but launched ships at Nicolayev were removed with the material for their completion, and that all ships on the stocks were destroyed and building material removed.

(b) Stalin's speech.

M. Stalin, on November 6, made his second speech since the Russian war began -- this time to a session of the Moscow Soviet on the occasion of the 24th anniversary of the October revolution. Outstanding features of his speech were:

(i) Its tone of candour and realism, which characterised his last speech and has distinguished all Russian public announcements since the war began.

(ii) His emphasis on German superiority in tanks as the essential reason for their advance. He had previously, in conversation with Lord Beaverbrook at the Moscow Conference, said that the tank is the decisive factor in modern land warfare. General de Gaulle's statement may be recalled (141st Guidance Notes, November 1) that the Germans won in Poland because they had 5,000 tanks to 1,000; in France because they had 10,000 against 3,000; and that they are advancing in Russia because they have 25,000 to 15,000.

(iii) Stalin's emphasis on Hitler's four miscalculations -- that the Russians would be defeated in six weeks, that Britain and the United States would join Germany against Russia, that the Russian regime was unstable, and that the Russian forces could be scattered by a single surprise attack.

(iv) His praise of Britain and the U.S.A. for withstanding, in contrast to France, the German weapons of terror and disruption, and his testimony to their faithfulness to democratic principles.

(v) His reference to the possibility of a "second front in Europe". The "western offensive" which has recently been the plaything of amateur strategists does not represent the only "second front" on which the enemy can and will at the right time be met. Detailed speculation on the point is futile, since Allied plans will naturally not be revealed in advance. Meanwhile it is sustaining to the Russian people in their great struggle to know that Britain is with them to the end. Stalin has told them so, and Mr. Eden has confirmed it in his telegram to M. Molotov on the Soviet National Day (November 7), in which he said:

"His Majesty's Government have pledged their utmost support to the Soviet Government. They and the British people will ensure that this pledge is fulfilled."

(c) <u>Finland.</u>

Russia has asked Britain to declare war on Finland as well as on Hungary and Rumania, on account of their persistence in carrying the war into Russia. Mr. Cordell Hull, in warning Finland not to look to America for sympathy has revealed that America offered mediation between Finland and Russia not long ago. Finnish demands for a debate in the Finnish Parliament, questions as to why this offer was not made public, and the radio statement that the Finns realise that final boundaries can only be fixed at a general peace conference, all betray Finnish anxiety at the prospect of losing the support of the democratic world. They also show increasing doubt as to the probability of a German victory. Finland has lost general sympathy from the time she carried the war into Russia beyond her old boundaries. The evidence just noted shows that there is a large body of Finnish opinion which regrets their government's subservience to German dictation.

(d) Litvinov.

The reported appointment of M. Litvinov as Russian ambassador to the U.S.A., if confirmed, serves to emphasise the importance attached by Stalin to relations with America. As Foreign Minister for eight years, M. Litvinov stood for co-operation with the League of Nations and a united democratic front.

2. BRITAIN.

The War at Sea.

(a) Germany and Sea Power.

On September 14, Das Reich, Dr. Goebbels' newspaper wrote: "We can only win the present war by breaking British sea-power. That is why the Battle of the Atlantic is the greatest and most decisive in the war." This battle has since been referred to as an "indescribable hell" by a German pilot, and attacks on convoys as "attacks straight into hell" by the German home radio on October 30. The onset of winter provides a good moment for surveying the progress, both of the sea war as a whole, and of the vital battle which, announced by Hitler in his speech of February 24, has been raging without a pause throughout the summer months of good weather and extended daylight.

(b) The Battle of the Atlantic.

(i) German advantages.

In this battle the Germans have enjoyed advantages they never dreamt of in the last war. They control the whole European coastline from the Arctic to the Pyrenees, with friendly bases in West Africa; they have a Mediterranean base from which they can sally through the Straits of Gibraltar; they have improved submarines and far greater facilities for building them; their huge coastline and the impossibility of maintaining an inshore blockade makes it much easier for surface raiders and supply ships to reach the open sea; their bombers can harass convoys far out in the Atlantic and their dive-bombers can beset ships in the narrow seas; they are within easy bombing range of Britain's ports and they can lay mines from the air right in their fairways.

(ii) Test of success.

The essential test of the progress of the Battle is the extent of German interference with British supplies, and the criterion of German success in their ability to cut off these supplies or reduce them below the level of the maintenance of Britain's war effort. The Germans have clearly not succeeded in the latter, and all the evidence goes to show that instead of increasingly interfering with Britain's supplies, they have since the end of May been interfering with them progressively less and less.

(iii) German failure.

The mere fact of German failure, in spite of their many advantages, affords a most striking tribute to the efficiency of the Navy, which, in addition to these handicaps, suffered a grave loss in the defection of the French fleet, and a further burden in the shape of Italy's entry into the war. The reality of the German failure is illustrated by the fact that British sea losses in the third quarter of 1941 were only one-third of their losses in the second quarter. This result was achieved in spite of the fact that the German attack has not diminished in intensity. Naval experts believe that the German efforts will be increased rather than decreased in the immediate future. American naval quarters estimate that the Germans have 150 U-boats always at sea, with another 150 refitting in harbour.

(iv) Turn of the Tide.

This turn of the tide is the result of a number of factors, behind all which lies the unconquerable determination to hold on at all costs and in all conditions, which carried the Navy through a year of inadequate forces and heavy odds after the fall of France.

(1) During the summer there has been a large increase in the number of escort vessels of which corvettes are the leading examples. Americas' transfer of 50 destroyers helped Britain to tide over the winter of 1940-41, and now British and Dominion production is filling the gap. It has been established that the convoy system is sound so long as adequate escorts can be provided; heavy losses in the autumn of 1940 and spring of 1941 were due to their inadequate numbers.

(2) The system of patrolling aircraft has been of great value. To this have been added, within flying-range of Britain, fighters catapulted from convoys, which fight off German Focke-Wulf bombers.

(3) To improved methods of submarine detection have been added a new depth-charge, which is the marine counterpart of the new high powered bombs, and which is said to make "crash dives" futile as a means of escape.

(4) The enormously wide system of air patrols has made the detection of surface raiders like the Bismarck much easier than formerly; torpedo bombers have driven at least one pocket-battleship back to port, and bombers have immobilised at Brest the Scharnhorst and Gneisenau since March last, and the Prinz Eugen since June.

(5) The extension of American patrols culminating in the occupation of Iceland has greatly assisted the British. It has releived the Navy of the surveillance of large areas of the Atlantic and so amounted to a substantial reinforcement in just those classes of ships which the Navy needed.

(6) American shipbuilding, now proceeding at the rate of 6,000,000 tons a year, is more than replacing losses.

(c) The Mediterranean.

In the Mediterranean the British (largely owing to the timidity of the Italian fleet) have achieved since last March no success so spectacular as that of the Battle of Matapan; and they suffered heavy losses off Crete. Nevertheless the Navy continues to dominate the Mediterranean, and this fact means that, essentially, their position is an offensive one as opposed to

essentially defensive tactics in the Atlantic. For maintaining British freedom of movement here means depriving Mussolini (like Hitler, placed strategically in a very advantageous position) of liberty to stir.

(i) British objectives.

British objectives during this year may be described as having been the maintenance of the sea route to Alexandria; the confinement of the Italian fleet to harbour or its destruction; the support of the army in Greece, Crete and Syria, and the interruption of the supply route to Libya. The fleet has not failed in one of these tasks.

(ii) Italian objectives.

The Italian objectives have been to cut the route to Alexandria, to supply the Libyan army, and to make the phrase "Mare Nostrum" a reality as well as a boast. Italy has had the help of air power in the eastern and central Mediterranean. Her ships damaged at Taranto should now have been repaired, and with new construction her fleet is reckoned by Admiral Cunningham to consist of four or five battleships, two to four heavy and up to 14 light cruisers, with a large force of submarines and destroyers.

(iii) British success.

British success may be measured by the fact that this formidable paper fleet still confines itself to harbour aquatics while the British are sinking (by submarine and aircraft) 20%-30% of Italian shipping for Libya per month, as well as damaging many more, and regularly passing convoys through the Sicilian Channel with little or no loss. It is noteworthy that the capture of Crete and the Aegean islands, for which the Germans made such heavy sacrifices and which they advertised as fatal to British sea power, has not affected British dominance at all.

(iv) German admissions.

The Germans themselves have admitted this. In October the Nazi-controlled Danish radio said: "Cunningham, despite heavy losses, is still master of the Mediterranean!"

(d) The North Sea.

The British attack on German shipping in the North Sea does not always receive its due share of comment. The destruction at Rotterdam in August and recently at Aalesund shows that it is growing steadily in weight, and demonstrates that Britain can hit back heavily and effectively, as well as defend herself in the Atlantic.

(e) Conclusion.

Sea power, like the blockade, is slow in its effect, but it is sure. All the evidence of this summer's sea campaign suggests that, when backed by its necessary complement of air protection, it is as decisive as in the days of Nelson and Admiral Mahan. Sea power will ultimately give the Allies superiority in equipment and enable them to strike a decisive blow at the decisive point.

3. GERMANY.

The Nazi War Against Religion.

The documents quoted by President Roosevelt to illustrate Nazi intentions to abolish all religion in the world contained little that was not already widely known. But the Fuehrer's Headquarters, in headlong haste to deny the allegations, have driven the truth of them still further home. Dr. Goebbels' scurrilous attacks on the President are but a reflection of Nazi frustration and anger

at the exposure of their anti-Communist "crusade", which they claim is based on religion. For their own hostility to all free religious expression has not prevented them from attempting to exploit religious feeling in their propaganda.

(i) Nazi Theory.

The Nazis are opposed to any religion which involves restraint of the will to power over others, and to any religion which demands respect for human personality. As the necessary spiritual background for their policy of hate and force could not be found in any true religion, they have sought it in the deification of the Fuehrer, in unquestioning obedience to anything demanded in the name of Germany, and in the elevation of the State to a reflection of Hitler's will.

Thus the existence of God is denied and Hitler is made the essence of Omnipotence. Hence Bergmann: "Man made God after his own heart". The justification provided, Hitler steps in to take his place. A German prayer runs thus: "To thee alone I owe my daily bread; abandon thou me never, with me fore'er abide, Fuehrer my Fuehrer, my Faith and my Light".

The Nazi attitude to the Church is as typical: "Rather let God go from the Church, but our Church must not go -- not the German National Church". This "Church" is co-existent with the machine of destruction which is out to perpetuate the supremacy of the Germanic race. Words such as "love" and "mercy" and "equality" are openly scorned. Dr. Rosenberg attacks that humanitarianism which is a prominent feature of all religions. "Thanks to humanitarian preaching .... any Jew, Negro or Mulatto could be a fully qualified citizen of any European State .... Niggers and Jews are allowed to marry into the Nordic race, yes, even to obtain important posts".

"The religions have no future, certainly none for the Germans". Thus the Fuehrer himself in 1938. "We believe in Hitler .... The scriptures are dead". Thus the Nazi radio on January 12, 1940.

(ii) Nazi Practice.

"He who serves Germany first, serves God", (God of course being Hitler), is the precept of the Nazis; and it clearly explains the Nazi persecution of religion in Occupied Europe, where men have been brought up to believe in serving God first.

There is not a single country under the Nazis today where religious freedom is protected. In Poland the process of de-Christianising is seen in its stark brutality. Ninety-five per cent of the priests have been imprisoned or expelled. The Catholic Curia no longer exists, the Cathedral has been made into a garage, the Bishop's residence into a restaurant and the chapel into a ball-room. In Austria religious communities have been closed, and in Russia, Bavaria, Austria, Poland and Alsace-Lorraine the nuns have been forced to abandon all educational institutes. In Holland all Catholic priests had to resign from teaching by May 1 of this year.

The Nazis made a daring attempt to buy over the Greek Orthodox Church in order to increase their influence in S.E.Europe. The idea was to persuade the Patriarch to recognise the German Archbishop Serateim as head of the orthodox churches in exchange for colossal amounts of German frozen credits in Turkey. Having failed, the Nazis have unleashed all their fury on the members of the Orthodox Church throughout the Balkans.

At the outset of the Russian campaign the Orthodox Church in Russia was the target for persuasive German propaganda. To Nazi surprise the Russian Church vigorously supported their country's war effort.

(iii) Conclusion

Mussolini once wrote words which might provide points of

meditation for Hitler. "A fight against religion", he said, "is a fight against the implacable ... an open warfare against the Spirit. It is a most profound and significant force, and it is by this time truly proved that the weapons of the State ... are powerless to conflict any mortal blow on the Church, which emerges triumphant after engaging in the most bitter conflicts".

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HUNDRED-FORTY-FOURTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED NOVEMBER 11, 1941.

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POLICY

1. Without underrating danger of German advance on Black Sea front, continue to show failure of primary German aims now underlined by inconsistencies of Hitler's speech.

2. Emphasise fully all aspects of British offensive action as shown in large-scale R.A.F. bombing of Germany and brilliant naval destruction of Italian convoy.

3. American Senate's neutrality vote means direct convoys anywhere and removal of last barriers to actual intervention, but speculation on American war declaration should be avoided.

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I. GERMANY.

(a) Hitler's Crisis.

Hitler is driving the German armies engaged in the Russian offensive to a point of exhaustion which may become dangerous even though the Russians themselves may be gravely weakened. He is doing so because his prestige and the entire framework of his plans, embracing London, Washington and Tokyo, are at stake.

It is a case of two armies, both of which must be feeling the tremendous strain of intense yet protracted struggle, locked together in a grapple to death. As the point of exhaustion approaches a London commentator suggests, the odds tend to turn slowly against the attackers.

However that may be, each day that passes lays greater emphasis on two of the objectives which the capture of Moscow was intended to achieve for the Germans -- winter quarters and a prestige success.

(b) From the Fuehrer's Headquarters.

The lengthy statement which "the German Government" saw fit to issue "from the Fuehrer's Headquarters" on November 1, in reply to President Roosevelt's forthright denunciation of increasingly aggressive and anti-religious German plans, made no serious attempt to answer the charges in question. It did, however, affect to dismiss them, and it was accompanied by scurrilous outbursts against the President in the controlled German Press.

It seems clear that the German propaganda reaction was caused by fear that Mr. Roosevelt's words would increase Hitler's already formidable difficulties in "consolidating" the occupied countries under the anti-Soviet banner.

Reports that Hitler intends to make a "New Order" declaration so soon as the campaign in Russia reaches any sort of winter stability, recall accumulated evidence that the staging of a Nazi "European Conference" had in fact been planned for September or October.

Nothing but the necessity for a prestige success for diplomatic use can explain the by now pitiful German attempts to represent the campaign in Russia as virtually concluded.

(c) The Munich Speech.

(i) Divergencies.

What appears to be the official text of Hitler's speech of November 8, in the Munich Beer Cellar, was not issued until late on November 10. Contrary to the usual practice the speech itself was not broadcast, and the divergencies in different commentaries which the Germans allowed to be issued suggest that final "editing" was considered seriously necessary.

(ii) On the Defensive.

Thus one version quotes Hitler as saying that "We are now on the defensive and the other side must attempt to break through, for he will starve to death in Leningrad"; while another radio commentator quoted: "to talk of the Germans being on the defensive is nonsense."

Whatever Hitler said or did not say on this point, the very confusion is eloquent when we recall such German boasts as that made in a broadcast in Norwegian so long ago as July 21: "It is now only a matter of days before Leningrad will be captured or evacuated."

In a more general sense, in reference to the possibility of British invasion of the Continent, Hitler was certainly on the defensive, as his pronouncements have tended to be ever since December last (see Section 2 of 136th Guidance Notes). While this reflection of a gradual German loss of initiative is significant, the mistake should be avoided of imagining that the German people are unable or unwilling to fight a defensive war.

(iii) A Long War.

An admission, notable in view of former promises, was Hitler's remark: "The struggle may continue any length of time." This follows the new lead set by Dr. Goebbels when he declared in Das Reich (reported from Rome, Nov. 7) that "the question how the war is going to end is today more important than the question when."

Last March, Goebbels told Spanish newspaper correspondents: "I affirm again that before the year is over Germany will finish the war."

(iv) Casualty Fancies.

The Fuehrer's reported statement that "eight to ten million Soviet soldiers had been put out of action" appears to have been an attempt to console his people for their own grievous losses and for the lack of any decisive success to justify them.

"No army," added Hitler, "could recover from such losses." The very existence and fighting ability of the Soviet armies today does indeed prove Hitler's figures to be utterly fantastic.

(v) Hitler Against Asia.

A point of interest to Asiatic peoples lies in the barbaric contempt of Hitler's phrase: "The whole of Europe is fighting against this Mongol State." It was a reminder of the racial principle firmly rooted in Germany's aggressive designs, and a warning to Asia of the value to be attached to the softer voice of Nazi official propaganda.

2. BRITAIN

Air Offensive in the West.

(i) Fog over Germany.

September and October provided some of the worst fogs ever experienced over Northern Europe. Even proverbially fog-bound London was surprised. More than any other element, fog is the enemy of the bomber. It not only interferes with navigation (e.g., inability to fix position by celestial observation); but it makes accurate night bombing almost impossible. On a clear, though moonless, night flares can be dropped to illuminate the target. Fog-banks merely reflect the light of the flares and dazzle the bomb-aimer. It is not surprising, therefore, that on 15 days and 12 nights in October R.A.F. offensive operations on the Western Front were suspended.

(ii) Offensive Maintained.

In these circumstances, it is all the more remarkable that the R.A.F. has been able to maintain the weight of its general offensive. During August, September and October 10,000 tons of bombs were dropped by home-based aircraft on Axis land targets in Germany, Northern Italy and occupied territory in Europe. The total tonnage dropped in the peak month of July was 4,400 tons, compared with 800 tons dropped in January.

In other words, despite bad weather, the weight of the R.A.F. offensive in the West is being maintained at between four and five times what it was nine months ago.

(iii) Heavier Raids.

How is this achieved? The answer is that, whenever the weather clears, Portal is sending over bigger bombers in larger numbers. The general trend is towards the use of bigger machines which carry bigger loads. Before the war a 500-lb. bomb was classed as heavy. Now 2,000-lb. bombs are commonplace and in a recent raid on Naples bombs weighing 4,000 lbs. were dropped. Although American-built heavy bombers have not yet figured prominently in Air Ministry communiques, the fact that they are reaching Britain in ever-increasing numbers enables Portal to use larger forces of the British types while building up a substantial reserve of American aircraft. It is worth recalling that in January 1940 the total number of American military aircraft exported to Britain was 41, in August 1940 the corresponding figure was 278 and in August 1941 America exported to Britain, Russia and other participants in the U.S.A. Aid programme a total of 1,533 machines.

(iv) Bombs on Enemy Shipping.

The figure of 10,000 tons does not include bombing operations by Middle East aircraft, which are continuously raiding Axis targets in Southern Italy, Sicily, Greece, Crete and Libya, as well as General Rommel's seaward supply line across the Central Mediterranean. Nor does it include the hundreds of tons of bombs dropped in the past three months by aircraft of the Coastal Command on the water-front stretching from Norway to Nantes, and during patrols over 600,000 square miles of sea.

In a single week recently Hudson bombers of Coastal Command sank or damaged 24 enemy ships in North-West European coastal waters. An analysis of Air Ministry communiques shows that during August, September and October --- apart from attacks, the results of which were not observed --- 28 enemy vessels are known to have been sunk, 43 left afire and/or sinking, 77 hit and damaged. In the six months from May to October 332 ships were sunk or damaged.

(v) Cost of Raids

It is impossible to say whether, for example, it is worth losing one, two or three bombers in order to sink an ememy supply ship. Some raids are carried out without loss, e.g. the one on Aalesund (October 29) when seven ships were put out of commission. Some cost little, e.g. the raid on shipping off the Norwegian coast and Frisian Islands (October 31), when ten ships were damaged at cost of two bombers. Some seem expensive, e.g. the raid by naval aircraft on Petsamo and Kirknes (July 30), from which 16 planes failed to return. Taken by and large, these attacks on shipping cost few planes in comparison with the successes achieved.

It is generally held that 10 per cent is the danger mark of losses in night raids and that when this loss percentage is reached consistently night bombing will not be worthwhile.

The whole question hinges on the importance attached to a particular objective and on the reserves at the disposal of the attacking force. As has been noted in (iii) above, the R.A.F. is building up a large reserve force and can afford to undertake operations on such a scale that the loss of 35 bombers in a very large operation (November 8) is not nearly such a severe blow as the same loss would have been twelve, or even six, months ago.

Furthermore, although the Luftwaffe has been engaged almost exclusively in defensive operations on the Western Front it has suffered heavier losses than the R.A.F. In the six months from May to October British air losses on this front were 1,086 machines compared with the German total of 1,152.

Mr. Churchill has just stated (Lord Mayor's Luncheon, London, November 10) that "we now have an air force which is at least equal in size and numbers, not to speak of quality, to German air power.

3. THE UNITED STATES.

(a) Neutrality Act Amendment.

The Senate's vote to amend the Neutrality Act by permitting both the arming of merchantmen and their entry into belligerent zones is an event of major importance. It ends an epoch in American politics and removes the last legal obstacle to American entry into the war whenever she may desire it (this of course presumes that the House of Representatives will endorse the Senate's action).

(i) Constitutional position.

The constitutional position is that the Senate has agreed to the House's vote in favour of arming merchantmen. The Senate has taken the further step of proposing entry of merchantmen into belligerent zones. This second proposal now goes back to the House for its approval in accordance with the usual constitutional practice when a second chamber amends a bill already passed by the first chamber. It is hoped to take the House's vote not later than November 13.

(ii) Neutrality Act a dead letter.

The legal position is that the Neutrality Act of 1935 is now for all practical purposes a dead letter. The new amendments remove sections II, III and IV from the Neutrality Act. Section VII (prohibiting loans to belligerent governments) has been superseded by the Lease and Lend Act, which leaves only Section XII intact. This provides the Administration with very useful powers of supervision over the export of raw materials for munitions.

(iii) The Freedom of the Seas.

Politically, the Senate's decision gives legal recognition to President Roosevelt's assertion of the Freedom of the Seas as a vital principle of American policy, in his great speech of May 28 when he declared a state of unlimited national emergency. It was on this issue, first raised by the Germans when they sank the Lusitania in 1915, that America went to war in 1917; and it was this principle which the flowing tide of isolationist sentiment endeavoured to swamp permanently by means of the Neutrality Act in 1935.

(iv) The end of an era.

Psychologically, this decision marks the end of an era. Since it was the Freedom of the Seas issue which drew America into the war in 1917, the doctrine and its implications were strongly opposed by the isolationism which set in at the conclusion of the Great War.

The Neutrality Act of 1935 was an attempt to remove this issue from American foreign policy by legislation -- the legal seal on a general American state of mind. Ever since Munich, the isolationist tide has been receding, leaving the Neutrality Act as a legal derelict on the sands across which the American public increasingly desired to send help to the democracies. Bit by bit that derelict has been removed, so that the Senate's vote marks the passing of a mental as well as a legal barrier to full American participation in world affairs.

(b) American Naval Base in Iceland.

The announcement that Iceland is now a fully-fledged naval base is a natural corollary of the Senate's decision. For, if the American ships are permitted to sail to Britain ports, Iceland will form a convenient base for patrols and escorts over the last stretch of the journey as well as the first.

(c) America and Germany.

The President's speech on October 19, after the attack on the Kearney, was the signal for a storm of German vituperation so violent that it has been suspected that Hitler was deliberately trying to goad America to go to open war, on the theory that supplies now going to the Allies would then be diverted to America's own defence forces. Hitler's assertion is his last speech that German ships have been ordered not to attack American ships may throw some doubt on this theory.

But it is equally possible that the German propaganda drive (which started on October 20) was arranged with an eye to the Japanese situation. If the Americans could be goaded into declaring war on Germany, it would make it easier for Japan to defy America in the Pacific. In other words, for some extra American pressure in Europe, Hitler would get the whole active support of Japan in the Far East, and be the gainer on the whole. The President's refusal to break off diplomatic relations with Germany after the sinking of the Reuben James showed Hitler the futility of his plan, and hence his milder tone.

(d) America and Japan.

Interest is at present centred upon the Kurusu Mission to America. American commentators have made it clear that if Mr. Kurusu's purpose is to insist on the so-called Seven Points, he might as well have saved his passage-money.

This being clear, it may be presumed that the Japanese have other objects in view. One possibility is that the Mission is a device to gain time while either a fresh effort is made to liquidate China, or four nearly complete battleships are made fit for sea by next spring, when only two of the new American battleships will be ready. The Mission may also be a sop to the Japanese peace-party which is understood to include the Emperor, or alternatively a device to convince the war-party of American strength and resolution.

Two things are clear: American determination not to let China down, or to recede from her insistence that Japan must call off aggression, and the President's faultless diplomacy, which has kept, hitherto, and continues to keep, both Germany and Japan guessing.

4. MEDICINE AND WAR.

Allied and German Achievements Compared.

While reports continue to come from the Russian front of German difficulties in coping with the treatment of enormous numbers of wounded, and in sustaining the health of large armies in the field, recent news items give a very different picture of Allied success in the sphere of medical care of the troops.

It was revealed on November 1, for instance, that the percentage of sickness in the Indian Army in North Malaya is less than the average of any army in the world. An organisation capable of such efficiency in caring for large forces under tropical conditions, although not as yet under conditions of combat, may be trusted to play its part equally well in actual warfare. Great improvement in the health of British troops in the Middle East in this war as compared with the last was also reported from Cairo on August 8.

To the already vital duty of tending the troops at war stations, in battle, and as casualties, the totalitarian concept of war, with its indiscriminate attacks upon civilian centres, has added the need of organising medical and hygienic help for the Civil Defence services and for millions of workers in industry and agriculture.

(a) Work of the Red Cross.

After the outbreak of war the British Red Cross and the Order of St. John of Jerusalem amalgamated, and to the Joint Executive Committee is now entrusted an important share of providing medical relief and aid to the wounded and needy.

A few achievements of this remarkable body, to which the public has contributed over £7,000,000 already, are detailed below:-

(i) Large organisations were established in France to supplement the hospital equipment of the fighting forces on the continent, and large sums were spent in helping Norway, Greece and others whose circumstances and geography made the sending of effective aid possible.

(ii) In the Middle East a commission and large quantities of stores in Egypt dealt with the requirements of all campaigns in which the Imperial forces were engaged. Convalescent homes were established in Palestine, Cairo and Alexandria, and large stores are now being set up in South Africa to meet the needs of the sick and wounded from the Middle East. India deals with Red Cross Work in Iraq and Iran and the Australian Red Cross is an active force at Singapore for the Far East.

(iii) In Britain itself 212 convalescent homes and auxiliary hospitals have been established, while additional stores have been issued to hospitals all over the country, in order to ensure that no district is left without the necessary hospital equipment in case of invasion or interruption of communications.

(b) Medical Aid to Russia.

The greatest task which confronts the Red Cross today is, of course, that of sending medical aid to our Russian allies. To meet Russia's urgent needs a special fund has been raised by the Red Cross, called the "Aid For Russia Fund", with Mrs. Winston Churchill as its organising Chairman.

An idea of what Britain resolutely set out to achieve in this respect is provided by what M. Maisky, the Russian Ambassador, has asked for.

(i) The first list includes among many other articles nearly 1,000,000 pairs of artery forceps; 2,000,000 hypodermic needles; 500,000 pairs of surgical gloves and 3 tons of rubber tubes.

(ii) Many different drugs in vast quantities; of one drug alone, of which an average dose is five grains, our allies have asked us for 16 tons.

(c) German Deficiencies.

The terrible ravages of the conflict into which Hitler has hurled his armies might account for some of the German medical deficiency reported from the Russian front. But among forces whose organisation, supply and technical equipment have been prepared with such lavish care, there must be a further reason behind this special trouble.

The reasons are not far to seek:-

(i) For all their insistence on developing bodily strength and brutality at the expense of intellectual education, the Nazis have cut the ground from under their own feet by their submission to fantastic racial theories and their wholesale persecution of "non-Aryan" physicians, surgeons and research workers, many of whom were among the ablest and most devoted doctors in Germany.

(ii) Since April 1939, the period of medical study in Germany has been cut down by two years. Since February 1939, quacks and untrained nature-healers have been recognised by the State. The abolition of the Physics Faculty at Gottingen, which had achieved world fame, is a striking example of the Nazi treatment of a branch of human knowledge which worked for social welfare.

(iii) Desire to take up medical research in Germany is today looked upon in the light of a misdemeanour. Medical research has been replaced by research into subjects which have a military significance only. Thus while effort is concentrated on finding new methods of destruction, the complementary work of finding means to alleviate the pain and suffering of war has been badly neglected. A "Science Department" was added to the higher military command on October 1, 1938 to carry on research in chemical warfare.

The period of Nazi power in Germany has been marked by a steady increase in all epidemic sicknesses; this cannot be dismissed as a mere coincidence, nor can it be regarded, according to Dr. Martin Gumpert, as "an act of divine vengeance. It can only be the result of a lack of administration and public welfare measures which has in turn produced a condition of hygienic neglect".

This judgment by a noted German physician and surgeon, who was once the head of a large clinic in Berlin, speaks for itself.

5. IRAN

Economic Situation.

Iran has been saved from the prospects of a disastrous famine. Had the famine actually occurred it would have been the logical end of the policy of "blitz" industrialisation followed by the late Iranian government.

The economic situation in Iran has not been satisfactory in recent years, on account of the hasty efforts of the former Shah to develop the resources, industries and communications of his country. These efforts have necessitated the import of large quantities of material from overseas -- chiefly from Germany; this in its turn resulted in increased taxation and a consequent rise in the cost of living.

But even the increased taxation could not meet foreign bills, so foodstuffs were exported to Germany to pay for the import of German machinery. The result was food shortage.

Ordinarily Iran raises sufficient foodstuffs to feed its pupulation of some 10 million souls. But its agricultural economy could not meet this new demand, for a primitive system of agriculture cannot co-exist with a high degree of industrialisation without upsetting the entire economy of the country. Mohamet Ali of Egypt tried it in the last century and failed. The former government of Iran could not improve on that record. The situation in Iran was largely saved by the arrival of grain from India, and it has since improved a great deal, due to the balanced legislation of the present regime.

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CONFIDENTIAL

HUNDRED-FORTY-FIFTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED NOVEMBER 15, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

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POLICY

1. Increasing delays in German advance in Russia are militarily serious for them and most damaging to prestige.

2. Problem of Middle East defence is at present chiefly one of supplies and communications. Without underrating difficulties, publicise all British and American measures of preparation.

3. Possible Japanese moves against Burma Road should be treated as extension of China "incident". British policy in such event would be decided in close consultation with U.S.A. Stress increasing A.B.C.D. strength in Far East.

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1. BRITAIN.

Factors of Endurance.

(a) The financial position.

(i) Control of Inflation.

Government measures against inflationary spending had the result that, despite a 25 to 30 per cent rise in production during the first two years of the war, and despite the employment of many hundreds of thousands of new workers, the note circulation has risen very little indeed. At the end of October 1941, the total circulation of bank notes throughout Britain amounted to £695,000,000. Compared with the corresponding period last year, the increase is roughly 17 per cent. It is useful to recall that during the same period ordinary revenue has increased more than 60 per cent, while ordinary expenditure has registered a rise of approximately 27 per cent. The people, therefore, cannot be convicted of wastefully spending their new found resources and thereby upsetting the equilibrium of war production. The return for their hard and conscientious labour is duly made to serve the purpose of sharpening the tools of freedom in the shape of genuine savings.

(ii) Control of Price Levels.

For two years the Bank of England bank rate has remained unaltered at two per cent. There has been no shortage on the money markets for the first two years of the war. And there has been no rise in prices during the past half year, but an actual decline. The Ministry of Labour cost of living index in April was 122, in September 121.3. The index for foodstuffs was 111 in April but only 107.1 in September. Even wholesale prices which are subject to foreign influences have remained remarkably stable.

(b) The industrial situation: some aspects.

(i) Gross and Net Profits.

The total profit of 498 British industrial companies for the third quarter of 1941 has shown an increase over the corresponding period of 1940. But the net profit has declined owing to heavier taxation, i.e. increased income tax and the 100 per cent excess profits tax. Shipbuilding indicates an appreciable rise in its net profits, while iron, steel, rubber and oil industries show a greater total but a lower net profit.

(ii) Steel Resilience.

It is worthwhile observing the astonishing resilience displayed by the British Steel industry. After the collapse of France, England, deprived of a valuable source of Continental supply, was left in a really parlous position. British iron and steel concerns had to readjust themselves to such supplies as they could obtain from overseas and scrap collections at home. Despite this their capacity remained at its former level, i.e. approximately 13 million tons annually. America now adds her inestimable strength to that of Britain's.

(iii) Improved Organisation.

The ideal that the British worker places before himself is the ever elusive "better"; a 40 per cent rise in productive effort by winter is what all have set before themselves, by a better utilization of existing man power, plant and raw material. Transport organization is to be further improved. Loading and unloading in the docks, to deal with the increase in goods due to the falling-off in shipping losses, has been speeded up. New and far-reaching plans have been made regarding transport in general. Government has under its direct control some 500,000 lorries and mechanically propelled vehicles. By means of a new agreement with transport companies lorries will now be used only for short distances. Long distance work will be done by the Railways which are functioning smoothly with a considerably replenished rolling stock.

(iv) Better Technique.

Progressive standardization, serial production, and the enlargement of the age-level for men and women workers will also help to strengthen Britain's position. Without the lengthening of hours of work, factory managers are able to push up their output per head. The trade unions are co-operative agents in this magnificent effort.

(v) Navy Weeks.

Glasgow and Birmingham collected over £ 13 million and over £ 10 million in a week respectively for a battleship to be built, bearing the name of the city. Before Christmas 144 Warship Weeks are to be held and 350 have been arranged for the first few months of the coming year.

(vi) British Trade and Lease-Lend.

There is a prevalent misconception that England's export trade is suffering unduly owing to her Lease and Lend obligations with America. This is incorrect, as the Prime Minister recently pointed out to the Manufacturers' Association. While England does not want to encroach on American ground merely because the latter is devoting much of her effort to help England, she at the same time continues her essential export trade to obtain dollars and thereby a fresh accession to her armed strength through American endeavour. This is a genuine example of the English-speaking nations' union.

(c) The Food Position.

Here are some extracts from Mr. Churchill's speech in Parliament on November 12:-

(i) Food Stocks.

Referring to the dietary he said: "It is sufficient for our physical needs, I hope we shall be able to give a large share of supplies of meat to workers who need it most. The figure we prescribed for the minimum food imports will now be probably achieved. We have amassed stocks of our bulkier articles of diet which amount to double what they were in September 1939".

(ii) The British Harvest.

"The corn harvest is 50 per cent greater than in 1939. We shall have much greater crops of potatoes, sugar, beet-roots, and other fodder crops."

(iii) Increased Rations.

"The weekly quota of meat has been increased by 18 per cent. Game, poultry, and fish have never come under the umbrella of rationing. In July sugar ration was increased by 50 per cent. A similar rise is anticipated in November. Fats are to be increased by 25 per cent in November. And milk supply has never been artificially curtailed".

"There is nothing Hitler will dislike more than a recital of these prosaic facts" said Mr. Churchill.

(d) The Bastion of Democracy.

Mr. Churchill's November 12 speech had other things to say as well. Hearing criticisms of this and that in Britain one is apt to forget the vast implication of this very right of criticism, and concentrate too much on the minor details of the impatience of dissentients. Here are the Prime Minister's words:-

"It is very hard to bring about success and very easy to make mistakes .... our universal resolve to keep parliamentary institutions in full activity has been proved. The Government bases itself upon the House of Commons. We shall give the fullest facilities for debate on the address.

Those who vote against the government will not be assaulted with rubber truncheons, sent to concentration camps or otherwise molested.

We are fighting for Parliamentary institutions."

2. RUSSIA.

(a) Operations.

(i) The North.

The capture of Tikhvin (claimed by the Germans) is probably the result of the freezing of the lakes and marshes which has made movement easier for the moment. The aims of this move are to complete the encirclement of Leningrad by joining with the Finns to the north of the river Svir, but the two forces are still some distance apart and Russian counter-attacks show that the Germans are not to be left in undisturbed possession on this front.

(ii) Moscow.

In the Moscow area the Russians are holding their own from Kalinin to Tula. The Germans are blaming the weather which may mean that the great frosts have not yet gripped this area.

(iii) The South.

In the Crimea there is heavy fighting towards Kerch. It is clearly important to defend Kerch as long as possible. But it is also worth noting that crossing the straits of Kerch does not just mean hopping the three miles which separate Kerch from the Tuszla Spit. The Spit is a bank 50 to 100 yards wide and five miles long, making the real gap eight rather than three miles, for which shallow draught vessels must be used.

(b) The Weather.

The onset of severe frosts may facilitate movement by drying fields, swamps and lakes. Movement may be impeded later by snow, which once fallen of course lies throughout the winter. The real enemy of operations, however, is the great frosts, which tend to numb activity and to damp spirits, and mean death to any living creature exposed in the long Russian nights.

(c) General Outlook.

Though the Germans still maintain the general initiative, it is nonetheless possible to derive solid comfort from the thought of how far short German achievements, after nearly five months of the war, fall short of their proclaimed hopes. According to schedule they should have been in Moscow and Leningrad many weeks ago; they are not there yet, and although the threat to Leningrad has recently increased, these two great cities may now be able to prolong their heroic defence through the winter.

That would mean a winter on the "scorched" and frozen earth for the German forces, and a breathing-space for the Russians. It would mean, in fact, that Hitler would have to begin again in the spring with his major objectives still unattained. Both sides would have some opportunity for recuperation and reinforcement, of which the Russians, helped by British and American supplies, would be able to take no less advantage than their attackers.

Even in the south, where the Germans have made consider=able progress, nothing decisive has been achieved. Here again, unless they can stage a winter campaign in the Caucasus, the Germans must wait until the spring.

Looking back at earlier gloomy prophecies, there is cause for thankfulness and hope.

3. THE MIDDLE EAST.

(a) Communications and Supply.

The Middle Eastern front is one of great distances as well as all varieties of country -- mountains, deserts, great rivers and cultivated tracts. Rapidity of movement is therefore essential to successful operations. But while each component country -- Iraq, Iran, Syria, Palestine, Egypt, had its own transport systems, they had not been planned as a whole and in many cases had not, up till the outbreak of the war, been adequately linked together. This work is now being undertaken with all the vigour, speed and foresight possible in the circumstances.

Britain is fortunate in being able to plan, with American cooperation, Middle Eastern lines of communications as a whole, at a moment when the Middle East is not actually, except in Libya, the scene of active operations. Part of it is a route to a front (Iran and South Iraq) and part, in the American phrase, a near front (Syria and N.Iraq). The most vital immediate features of the Middle Eastern situation at present, therefore, are the accumulation of supplies, the concentration of men, and the development of easy lines of communication. Everywhere this threefold purpose is being actively pursued.

(b) Iran.

(i) Transport.

The main Iranian railway, being only a single track line and built across very mountainous country, cannot transport to Russia with speed all the material that Britain is sending her. Britain, with American aid, is making a great effort to improve this line of supply. At the port of Bandar Shahpur an American engineering staff is at work enlarging dock facilities for the daily handling of 2,000 tons of war materials en route to Russia. British railway shops have just completed in 10 weeks 1,000 railway trucks for Iran and are now sending 142 locomotives also. To make their despatch possible the Great Western and Southern railways are reducing their services in Britain. The wagons with all those mechanical features which will make for rapid service in a country of steep gradients, rails, trucks and construction crews for repair, steel piling for docks and sheds, cranes for hauling big tanks from the deep holds of ships, -- all these are on their way to Bandar Shahpur. Apart from the railway, the road from Baluchistan via Zahidan and Meshed to the Russian frontier is being used to aid the Russian military machine.

(ii) Economics.

The food situation in Iran was serious when the new government was formed. The Allied British and Russian forces took immediate steps to remove hunger and want among the poorer elements of the population. Russia alone up to last September sent in 9680 tons of wheat, and 1770 tons of sugar, besides half a million piecegoods. Food relief was also sent from India, and the Iranian railway is now busy bringing wheat and sugar to hungry Teheran. As a result of these prompt measures famine has been averted.

(iii) Labour.

The increased transport activity in the country along its railways and roads, in its ports and towns, has given Iranian labour an opportunity for profitable employment. The scale of wages in war employment is naturally higher than in peace time under the old Iranian regime.

(c) Egypt.

(i) Transport.

The big problem in the Middle East today is that of supply. To solve this problem an American mission will soon arrive in Cairo (similar to the one that is going to Basra). It will be the job of this mission to speed up transport, and deal with the American cargoes which have already arrived in Egyptian ports. Formerly it used to take almost a month to unload these cargoes, now the same job is completed within two weeks. Big American ships are arriving at Suez at the rate of 30 a month, laden with trucks, light and heavy tanks, armoured cars and aeroplane parts. The task of the American mission is to organise a system of overhaul and repairs only.

British crews are being thoroughly trained in the handling and maintenance of the newly arrived American equipment.

(ii) Economics.

In the field of economics, not only is the British army NOT living on the country, but Britain is actually helping Egypt to tide over her economic difficulties. Last September Britain purchased from Egypt cotton and cotton-seed up to the value of 25 million sterling. Further, the British government agreed to return to the growers 50 per cent of any profits arising from the purchase. Now Britain has offered to purchase the entire wheat surplus - about 46 million bushels - from the 1941-42 Egyptian wheat crop. This policy is meant to relieve the economic difficulties of Egypt, for had she wanted, Britain could have obtained both wheat and cotton from the U.S.A. under the Lease and Lend Act.

(iii) Labour

Egyptian labour is finding lucrative employment in the new transport system of Egypt.

(d) Iraq

(i) Transport.

Communications in this land of great distances, of deserts and mountains, are being rapidly improved. The road between Baghdad and Kazvin via Khanakin is being fully exploited. At Basra, at the head of the Persian Gulf, American engineers have helped to build new plants where 300 American aeroplanes will eventually be assembled monthly. American heavy equipment is to find its way into Iraq as it has done (and is increasingly doing) with Egypt and Iran.

(ii) Economics.

Transport improvements alone in Iraq have resulted in the employment of 10,000 Iraqi workmen. Besides these others have found employment at Basra. Labour in Iraq is entirely unforced, and the Regent announced on November 2: "Our treaty with Britain will be fulfilled".

4. JAPAN

(a) Mr. Churchill's Speech.

Mr. Churchill's speech has brought into still sharper relief the Japanese crisis in the Far East. The British position has now been stated as clearly as it is possible to define it, with the additional important information that a battleship squadron is available for Far Eastern operations if necessary. Japan now knows that Britain stands beside America in any action America may take, and knows, further, that the British contribution to the A.B.C.D. front will be as considerable on sea as on land and in the air.

(b) Doubtful Points.

(i) America and Japan

The Premier's declaration still leaves two points uncertain. Japan knows when Britain will move, but she is still as much in the dark as ever as to when America will move. The weight of the hammer which may descend upon her has been much increased, but the moment of its descent is no more certain than before. The maintenance of this uncertainty is, of course, a positive gain to the Democracies, and has been one of the most constant and skilful features of President Roosevelt's diplomacy. The President's skill in this matter consists in the fact that he has been able to suggest to Japan that he is playing from strength not weakness. If the trumps are not played, it is not because they are not held, but because the time for playing them has not arrived.

(ii) America and Britain.

The second uncertainty is whether America would support Britain if Japan attacked Thailand or Burma. Previous American declarations that America would resist any further aggression suggests that she would, but there has not so far been an explicit announcement, such as the Premier's, from the American side. American interests in the Dutch East Indies make intervention there, in case of Japanese aggression, virtually certain. It is probable that it is just this question of exactly determining the American line of action which concerned the American Cabinet meeting on November 7. Occupied as it was almost entirely with the East, the meeting is described by The Times Washington correspondent as possibly "historic". It is noteworthy that Mr. Churchill's warning to Japan and reference to increased British strength followed almost immediately.

(c) Japanese Policy.

The exact strength of the war and peace parties in Japan is unknown, but the latter is said to include the Emperor. If it is true that General Tojo's military cabinet was formed at a moment when the Japanese believed Moscow to be about to fall, continued Russian resistance may well be reviving the moderate forces in Japan. The unexpected Kurusu Mission, its slow progress across the Pacific, and the convocation of the Imperial Diet for the middle of this month (a month after the government's formation), all suggest that a Cabinet formed to step into the abyss of war, may, like other Japanese cabinets before it, be trembling on the brink instead. Japan has no wish to be an Oriental Italy and her economic position encourages little hope of success in a long war. The obstacles, on the other hand, to a settlement with the democracies are great. Above all, Japan cannot give up her position in China (which America shows no sign of allowing her to retain), without a probably fatal loss of prestige for the present ruling clique. That Japan's "wild men", now in office, should hesitate, is therefore the measure of the difficulties confronting present Japanese policy.

(d) The Fallacy of Co-Prosperity.

The following facts explain why Japanese "co-prosperity" has necessarily become a policy of domination for Japan and slavery for others.

(i) Neither Japan herself, nor the whole of south-east Asia, is an independent, economically self-sufficing unit.

(ii) The United States supplies Japan with one-third of her outside needs, including cotton, oil, steel products and machinery. She takes in return 90% of the basic Japanese raw silk crop.

(iii) Australia supplies Japan with two-thirds of her wool requirements, which are essential for the army.

(iv) The British Empire as a whole supplies 20% of Japanese needs and takes 20% of Japanese exports.

(v) Even if China was subdued and Manchukuo fully exploited, they would only provide raw cotton and iron ore, leaving Japan's other essential needs unsatisfied.

(vi) Japan's Latin American trade is being ruined by her lack of ships and her lack of suitable exports, which in turn is the result of her imperialistic policy.

Thus the ideal of self-sufficiency must drive Japan into an ever-widening circle of aggression. Besides all this the Japanese conception of Kodo, or the imperial way, which is another name for racial superiority, must inevitably arouse the opposition of all developed and self-respecting peoples.

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CONFIDENTIAL

HUNDRED-FORTY-SIXTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED NOVEMBER 18, 1941.

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P O L I C Y

1. Moscow is not yet out of danger, but Russian resistance in the centre is factor of great importance affecting whole campaign.

2. Note Turkey's growing strength and success of non-belligerent policy. Turkey has been loyal to her alliance with Britain, but suggestions of Anti-Axis attitude should be avoided. Both Turkey and Afghanistan are independent neutrals awake to danger of German aggression.

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1. RUSSIA.

(a) German Strategic Dilemma.

(i) Failure to Reach a Decision

Every day that now passes brings the German military authorities on the Eastern Front nearer to the crucial decision which cannot much longer be delayed. From the point of view of the Germans the position is exasperating. By accumulating superior weight of armament and by their undeniable brilliance and complete ruthlessness they have kept their offensive going, capturing enormous areas of Russian territory, maiming Russian war production, and inflicting staggering losses of men and equipment. Although the quality of the Russian military machine came as a shock to the Germans and exacted a terrible and unexpected price for their gains, the prize was glittering and seemed so nearly within their grasp that mounting losses only stimulated the pouring in of more and more reserves.

(ii) Leningrad.

Could the German forces have swept into Leningrad converting it into a forward base supplied from Germany along the short sea-route, they could have struck in behind Moscow and with a wide enveloping movement destroyed the Russian Army of the Centre. Then a drive through the Donetz basin and the oilfields beyond would have been the coup de grace.

(iii) Moscow.

When Leningrad held, a gigantic battering-ram was constructed against the central core of resistance round Moscow. It is estimated that two millions of Germany's best troops, including a high proportion of the total number of their armoured divisions, are concentrated between Kalinin and Kursk. At all costs, this Russian central core must be broken up, both for reasons of prestige at home and abroad and to cover the left flank of von Runstedt's advancing army in the south.

(b) Improved Russian Situation.

Now that the character of the struggle for Moscow is changing from open and rapid manoeuvre to conditions which increasingly resemble siege warfare, a number of important advantages are accruing to the Russians.

(i) They are able as the need arises to switch reserves either to the north, west or south.

(ii) The skill and stubbornness of the Russian resistance combined with the continuing mud (not yet solidified by frost) has compelled the Germans to abandon, for the time being, the swift, deep penetration by independent Panzer units and revert to slow limited thrusts by tanks with accompanying infantry. This change in tactics is enabling Russian heavy artillery -- their strongest weapon -- to come into its own.

(c) Moscow's Peril Remains.

Just because the Germans are so near clutching their prize, the peril to Moscow is still very great. Hitler's position is rather like that of the bidder at an auction who has almost reached the limit of his purse and feels that one more bid must surely outbid his opponent and cause the hammer to fall in his favour. Several factors in the situation point in this direction.

(i) Repeated announcements that this is "the final onslaught" which will "break the last remnants of resistance" have committed him deeply and dangerously.

(ii) His exhausted army is already suffering severe hardships, and knows that there is worse to come while the shelter of strong winter quarters is almost in sight.

(iii) He has played up the prestige value of Moscow to such an extent that the eyes of Japan and the whole of the Middle East are rivetted upon that sector as being the place where the supreme test will take place.

(iv) Further, nothing could be more dangerous for the morale of the troops (which is still high) and for the morale of the German people (which may be more affected) than the growing conviction that the bloody assaults are producing steadily diminishing results and are thus playing the enemy's game.

That is why there must be growing anxiety at Hitler's headquarters on the Eastern Front and in Berlin, but it would be decidedly premature to assume that Moscow is out of danger. If Hitler can carry his generals with him (and that is by no means certain) he will in all probability stake a very great deal on keeping up this attack regardless of losses.

(d) German Casualties.

While from information reaching London, it is impossible to prove the accuracy of the Russian estimates of the total German casualties, in the Russian war such reliable data as are available afford convincing enough proof that German casualties have been exceedingly high. Thus, there is every reason to believe that 16 out of 19 German armoured divisions have suffered appreciable (in nine cases considerable) losses in men and material, while there is ample evidence, in the case of more than 70 infantry divisions that losses have been heavy -- in several as high as 50 per cent of the total strength. In numerous confirmed instances, German infantry regiments have been reduced to one-third of their strength. Data available, moreover, only take into account casualties from fighting, and the rate of sickness under Russian weather conditions must have been very high.

(e) The South.

(i) Donetz Basin.

The most exasperating feature from the German point of view of the Russian stand in front of Moscow must be the pinning down of the best German troops which could otherwise have been switched to the south, for it is here that the Germans have come within an ace of what might well have been an overwhelming victory. Disaster was staved off partly by the defence of Moscow, partly by torrential rain and partly by the brilliant leadership of Marshal Timoshenko and those responsible for organising and moving up fresh reserves. The situation is still obscure and dangerous, but it seems evident that the Russians have been able to reorganise and form a new chord of resistance stretching from a point some 10 miles west of Rostov across the bend of the Donetz river. If and when weather conditions permit, the Germans may well attempt an important new offensive in this region as a compensation for their failure against Moscow, but the Russians have already secured a valuable "breather" and a very ugly corner has been turned.

(ii) The Crimea.

In the Crimea, there appear to be good grounds for hoping for a stout defence of Sebastopol. The German claim to have captured Kerch, important if true, may on the other hand represent the necessity of announcing some success in view of disappointments at Moscow and Leningrad. The next step would be to across the Strait in order to threaten Rostov from the rear and Novorossisk. The establishment of a bridge-head across the Kerch Strait, which is from three to ten miles wide and with strong currents and shoal water, would be a difficult operation requiring an overwhelming air superiority which the Germans have hitherto failed to acquire on the Eastern Front.

(f) Conclusion.

A few days ago a distinguished military commentator remarked: "Marshal Foch, I think, would judge the general situation to be satisfactory although critical". It was Marshal Foch who described the first glimmer of ultimate victory in the distant horizon during the darkest hour of 1917.

2. GERMANY.

The "Peace Offensive" and German Morale.

(a) "New Order" Awaits Inauguration.

The new spate of rumours (categorically denied in Berlin) of an impending European conference to be summoned by Hitler is interesting and possibly significant. According to these numerous reports, the original intention was to call a conference in Moscow, where with suitable pomp and ceremony the inauguration of "the New Order" would have been proclaimed.

The purpose of the ceremony would presumably have been three fold: to convince the German people that their enormous sacrifice had been rewarded by a decisive victory and that major operations on the Eastern Front were over; secondly, to convince Britain and the United States that since Europe was now happily united under German leadership, further fighting or continued aid to Russia would be useless and unwarranted interference; and thirdly, to convince the Japanese that their "hour of destiny" had come. The talk is now that the conference will be transferred to Vienna.

All that need be said is that if such a piece of substitute window-dressing does in fact take place, it will be a very significant commentary on the state of German home morale and on the need to bolster up waning German prestige in Italy, France and other occupied countries. Italy, it may be remarked in passing, is now as effectively "occupied" as the rest of the enslaved countries.

(b) The German Home Front.

(i) Dr. Goebbels Climbs Down.

Reliable reports indicate that the morale of the German troops on the Eastern Front is still high notwithstanding deepening disappointment, but that the home morale is proving more vulnerable. Goebbels' recent article in Das Reich, which was broadcast from all German home stations, adopted a sombre and realist tone new to German propaganda (see 144th Guidance Notes, Section I, para (c) (iii)). "The question," said the Nazi Propaganda Minister, "of how this war will end is more important than the question of when it will end. If we win it, we have won everything --raw materials, free supply communications and living space, the bases for the social reorganisation of our state and for the possibility of full development of the Axis Powers. But if we lose it, all that and more would be lost, namely our whole national life ... We know only too well the heavy sacrifices demanded by war from all of us, but are not sacrifices borne by the beaten nations, even if they are already living outside the war, imcomparably greater than ours?"

According to the Berlin correspondent of the Neue Zurcher Zeitung, this speech has created a sensation in Berlin because of its implicit admission that the 'decisive' victories which have been announced have not been sufficient to establish the certainty of final victory.

(ii) When will Britain be invaded?

Mr. Flannery, the American Broadcaster from Berlin, recently remarked, "The Nazis are still confident of victory but the German people are becoming increasingly doubtful. They are also said to be wondering if the long-heralded invasion of England will ever take place."

On that latter point it can be said that nothing is more assured than that it will be attempted, probably in the form of air-borne troops in fleets of towed gliders; and that the authorities in England are fully alive to the magnitude of the danger.

(iii) Long-Term Factors.

German morale is far from cracking, but the signs multiply that it has begun of late to take a downward trend. Such a movement will become steep only when the past record of victories becomes obliterated by defeat on the battlefield.

The German military machine is still vast and formidable despite the appalling losses it has suffered. All hangs on the scale of British Empire and American war production in the coming winter months. In the meantime certain long-term factors relating to German morale are worth noting.

On the battlefront the decimated Hitler Youth (soaked since childhood in the Nazi doctrine) tends to be replaced by older age groups with longer memories and more faculties of criticism. In Germany itself and in local garrisons the iron grip of the Nazi Party is liable to be weakened by the dispersal of special S.S. troops for service at the front and in the occupied countries. Goebbels himself has mentioned the fact that 1,430 National Socialists of Berlin had "paid the supreme sacrifice in this war;" and if, as is probable, he was referring to old party members, it is a significant

figure.

Recent approaches by Funk to Ruhr industrialists may also indicate an important trend. The <u>Frankfurter Zeitung</u>, a paper not normally read by the working classes, quoted him as holding but hopes of better prices and profits after "the destruction of Bolshevism and the replanning of the large and immensely rich eastern European space." Briefly this represents an interesting Party attempt to appease big business.

3. <u>TURKEY</u>.

(a) <u>Ministerial Changes</u>.

(i) <u>No Change in Policy</u>.

There are no indications that the recent ministerial changes represent any modification of Turkey's policy of strict neutrality based upon (i) Rearmament and economic stability in self-defence (ii) the fulfilment of her Montreaux obligations (iii) loyalty to her alliance with Britain (iv) friendly relations with all powers, consistent with her own integrity.

Saffet Arikan, National Defence Minister, has resigned and is replaced by General Ali Reza Artunkal. Jevedet Kerim Imcedayi, Minister of Communications, who has also resigned, has been replaced by Fahri Engin.

(ii) <u>The Refah Affair</u>.

According to the <u>New York Times</u> commentators in Ankara, the changes are traceable to the affair of the Turkish steamer <u>Refah</u>, which was torpedoed last June, 24 miles from the Turkish coast, and sank with a loss of 173 lives.

The <u>Refah</u> carried the Turkish naval mission to Britain, one hundred strong, as well as a British naval officer. The presumption of Axis authorship for the outrage is thus peculiarly strong, but no effective action was taken, and the two ministers who have now resigned were strongly criticised by the Turkish deputies and in the Press..

(b) <u>The German Press Mission</u>

(i) "<u>Cultural Offensive</u>".

Where Dr. Clodius failed to secure Turkish chrome for Germany before 1943, and where Ambassador von Papen failed to frighten or seduce Turkey from her position of neutrality, it appears that a new Nazi weapon is to be tried.

A German Press Mission of six members, headed by Dr. Paul Schmidt, Wilhelmstrasse Press Chief, was due to arrive in Ankara yesterday (Nov. 17) for a winter campaign to secure favourable publicity for the Nazis. Typical of German methods is the reported programme of "terror-news-reels" arranged by von Papen for the reception banquet.

(ii) <u>Turkey's Journalistic Integrity</u>

In conjunction with the Nazi swoop may be read the evidence of Turkey's wish to preserve the integrity of the written word, provided in the following suggestions made by the Turkish Press Congress Association and adopted by the Turkish Cabinet:

"Any Turkish publisher or editor found guilty of accepting subsidies from any foreign government is to be charged with High Treason according to the penal code, while the guilty newspaper is to suffer permanent suppression".

If Dr. Schmidt has brought money in his pockets, he may find it more difficult to spend than he had anticipated.

(iii) The Ulus and its Editor.

The Turkish Press Congress has unanimously elected as President Falih Rifki Atay, editor-in-chief of the Ankara journal Ulus. The Ulus is Turkey's most influential journal, being thoroughly independent and balanced in outlook. Its chief editor, together with the other leading Turkish journalists, has long been anxious to remove from the Turkish Press the danger of any possible foreign control through the grant of subsidies. Such control by the Axis powers over the press of many countries is too well known to need mention.

Two quotations from the Ulus of August 8, 1941, show how alive is the Turkish Press to Axis attempts to poison the well of truth:

"There have been certain persons so excelled in the art of rumour-mongering as to hint that negotiations detrimental to Turkish interests were taking place between Britain and the Soviet Union". Again:-

"The Turkish people have never considered, even as a remote possibility, that Britain would act against Turkish interests, nor has the slightest credence ever been given in Turkey to such rumours, the object of which is to sow doubt".

4. AFGHANISTAN.

The Low Jirga.

The Afghan Loe Jirga (Grand Council) which recently terminated its sitting, was composed of members of Parliament, tribal representatives, religious leaders, civil and military officers, and representatives of trade, commerce and industry. It was remarkable for the complete unanimity of opinion which prevailed among its members. It unanimously confirmed the national policy of neutrality, and voiced national sentiments.

Mr. Latifi in an article written in a Kabul newspaper says: ".... We are resolved to be neutral in this war and to lead peaceful lives in every respect."

In the Jirga the following resolution was moved and adopted: "We, the members of the Loe Jirga, hereby endorse the complete neutrality maintained by the Government, and which shall hereafter be upheld. The Afghan nation wants to keep good relations with all countries, especially its neighbouring ones."

None of the published resolutions of the Jirga made any direct reference to the expulsion of Axis nationals. The Kabul Radio announced on November 14: "The Loe Jirga has emphatically declared the neutrality of Afghanistan, and also that we have no aggressive intentions against any country, nor at the same time do we want to become the tool of some other Power."

The newspaper Salasat-i-Afghan of Kandahar writes: "Afghanistan by disposition is a peaceful nation but it is also bold, courageous and honourable .... The decision of the Loe Jirga represents the true feelings of every man, woman and child of the country."

The Afghans are a proud people, and they combine their courage and love of independence with a realistic national policy.

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CONFIDENTIAL

HUNDRED-FORTY-SEVENTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION DATED NOVEMBER 22, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Stress all points in Churchill's statement on Libyan offensive, which opens second land front against enemy after due preparation. Success hinges on destruction of enemy's armoured forces, and speculation on territorial objectives should be restrained.

2. Publicise highly successful Haj arrangements (11,000 pilgrims from India) due to British naval supremacy and protection of Middle East armies.

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1. AFRICA.

(a) Second Front in Libya.

The Allied offensive in Cyrenaica, which began at dawn on Tuesday (November 18) with a swift and successful advance, answers the call heard in many quarters for the opening up of a second land front against the enemy.

But it has not been undertaken in answer to popular clamour, much of which was misinformed and misdirected. The offensive has been patiently and carefully prepared over many months as part of the Allied war-strategy. It has not been preceded by threats and boastings, and it should not be accompanied by speculation on geographical objectives irrelevant to the vital purpose of destroying the enemy's forces for which a large force (in which British home troops greatly predominate) has been assembled, husbanded, trained and equipped.

Nor should the phrase "land-front" provoke comparison with the clash of enormous armies across almost the entire length of Russia. The combined operations by land, sea and air which have been initiated in North Africa have their special character and their special object.

(i) Mr. Churchill's Points.

This special character and object were briefly set out in the Prime Minister's statement to the Commons (November 20), when he made the following points:

(1) "The conditions are in many respects like those of a sea war. The principal units involved keep wireless silence when preparing and making their rapid and extensive movements. The encounter, when it is achieved, is like a clash of fleets and flotillas."

(2) "If enemy armour is destroyed or seriously defeated and his air power is dominated, the plight of his infantry and artillery crowded in the coastal region would evidently become serious in some respects." Taken in conjunction with the wording of the first official announcement, this suggests a strategy of envelopment which will be greatly assisted by the Navy and the R.A.F.

(3) "The object of the British and Empire offensive is not so much the occupation of this or that locality as the destruction of the armed, and primarily of the armoured forces of the enemy."

It will be recalled that the Germans have in their Russian campaign (most notably when some prized objective failed to fall) avowed a similar purpose. The German declaration is justified in that none of their objects in Russia can be secured without the destruction of the Russian power of resistance, which they have failed to achieve. But the two sets of circumstances are entirely different. In Cyrenaica there are no industrial or material resources to seize, no national will to break, no political rivalry to be assailed, but simply an enemy to be defeated and his bases cleared.

While that object is in process of accomplishment, Russia is being helped because German forces are being attacked. Its final accomplishment will, in Mr. Churchill's words, play its part in the whole course of the war.

(ii) Tobruk.

In fulfilment of Britain's pledge to Greece, General Wavell sent four divisions of his Army of the Nile across the Mediterranean last April. That left him with one infantry division and a mechanised brigade to garrison the whole area between Benghazi and Bardia.

Coincident with the German drive into Greece, a German African Corps under Lieut-General Erwin Rommel pushed forward into Cyrenaica. The small British force withdrew to the Egyptian frontier, but, by a master stroke of strategy, it was decided to leave a garrison in the harbour fortress of Tobruk, some 80 miles inside the Libyan frontier. Tobruk is semicircled with Italian-built stone and concrete forts that stretch for 25 miles from coast to coast on the ridges below the Hagrag Chargia plateau.

For seven months British, Indian, Australian, Free French, Polish and now Czech troops have taken turns at manning the perimeter and patrolling into No Man's Land. Under their Australian commander, Major-General L.J. Morshead, they have not only held out in the role of a thorn in Rommel's flank, but have become a veritable porcupine. They have stood up to incessant artillery bombardment (often as many as 3,500 shells have sailed over the outer defences in a single day), to persistent dive-bombing attack (five per cent of the raiders have been shot down by anti-aircraft fire in close on a thousand raids) and to enemy tank thrusts.

Brackish water, plain rations and few luxuries have been the lot of this gallant band of Empire and Allied troops, who have held out under constant fire in the blazing heat of the sun and the cold of the desert nights, facing up to a combination of danger, dirt and monotony comparable with conditions in Flanders 25 years ago.

Five months ago a German broadcast declared that "not even the little ships can save Tobruk, which has become a fortress with no way out." But the little ships have gone on calling regularly at the port with supplies and mail, taking batches of troops back to the Nile delta for a much-appreciated spell of leave.

(iii) Axis Supply lines.

For seven months Tobruk, by means of daring sorties and artillery barrage, frayed Rommel's land supply line from Benghazi and Tripoli to the frontier area, so much so that he was forced to build a 40 mile by-pass road round Tobruk and fill the intervening space with booby traps, land mines, barbed wire entanglements, machine-gun nests and anti-tank posts.

Meanwhile, the R.A.F. and the Royal Navy were busy disorganising the remainder of the land supply line and the whole of the seaward supply line across the Central Mediterranean, so much so that Mussolini's reluctant Navy was obliged to provide large escort forces for the smallest of convoys scurrying across the Sicilian Channel under cover of darkness. These escorts did not deter Cunningham (Admiral) and Tedder (Air Marshal). British and Dutch submarines and light naval forces, Fleet Air Arm planes and heavy American Maryland bombers flown by South African pilots went on prowling day and night over the quadrilateral bounded by Brindisi, Naples, Sfax and Bardia. In this area, in the three months, August to October, 86 Axis supply ships (390,000 tons) were sunk and 61 others (267,000 tons) were damaged.

Reinforcements and material assembled for transfer to Libya on the shuttle supply service were blasted at Naples, Brindisi, Reggio, Messina, Catania and a score of other embarkation ports. What did get across was bombed in harbour at Tripoli and Benghazi or on the road leading to the front.

While in spite of this vigorous action supplies and reinforcements continued to reach Rommel, their volume was insufficient to enable him to undertake an offensive, and the initiative that might have been his is now Auchinleck's.

(b) Mopping up in East Africa.

On July 30, 1941, the conquest of the Italian East African Empire was officially recognised as complete. In order to enable the C-in-C, Middle East, to devote his whole attention to more active theatres of operations it was then decided to create a new military command directly under the War Office. Lieut.-General Sir William Platt, who had commanded the Empire forces advancing victoriously from the north, was appointed G.O.C-in-C. of this command, which includes all those territories lying between the southern borders of the Anglo-Egyptian Sudan and the northern frontier of Southern Rhodesia.

Nearly four months after the official termination of East African operations, daily communiques from Nairobi speak of patrol activity and bombing sorties in the Gondar area. The explanation is that, when the torrential summer rains started, a small pocket of resistance remained in the desolate, mountainous interior of Abyssinia. The garrison of 15,000 (mostly African levies), supported by two Italian aircraft (since destroyed) occupied a position whose strategic importance was nil and whose prestige importance was merely to provide insignificant fodder for the Axis propaganda machine. It was safe to leave a handful of troops (mostly Abyssinian patriots and Sudanese levies) to invest the area during the rainy season. Now better campaigning weather enables General Platt to proceed with the final mopping up.

(c) French Africa.

(i) Its Importance Today.

The opening of the Libyan offensive has brought the French African possessions into the limelight once again, for it is clear that Tunis, Algeria and Morocco can serve not only as important supply bases for Axis troops in Libya, but can if necessary afford shelter to the enemy if he is pushed westward from Tripoli.

The French naval bases of Oran, Algiers and Bizerta and the port of Casablanca in Morocco would threaten in hostile hands British sea communications east and west of Gibraltar, while the motor routes across the Sahara, and the Trans-Sahara railway on which work has already begun, could, if they fell under German control, connect the Mediterranean ports of Oran and Algiers with French African ports on the Atlantic. The enemy would thus have in his rear a solid block of controlled country comprising the whole of North and West Africa. The danger of Dakar has long been recognised, not least by the U.S.A. That the Germans have fully matured plans for its use as a base for disputing sea and air control in the South Atlantic is scarcely open to doubt.

All this depends, however, on the role that Vichy plays, or is made to play in the weeks ahead.

(ii) Vichy Africa.

French Africa, after the collapse of metropolitan France, became divided in its allegiance; the Northern and Western possessions remaining faithful to Vichy, and the Equatorial possessions lining up one by one behind General de Gaulle in support of the Allied cause.

After the French Armistice, Armistice Commissions with German and Italian members descended on French North and West Africa, and there was a general feeling in France that, while the Armistice arrangements would be faithfully adhered to, any attempt at German infiltration in the French Empire would be resisted. Marshal Petain shared in these feelings, and General Weygand, who held strong ideas on this question, was put in command in Africa. There was even talk of Marshal Petain transferring his seat of government to Africa if the Germans made exorbitant demands on Vichy.

This first phase of resistance to the Germans in Africa however, proved to be short-lived, for once the enemy had got a footing in the continent with the Armistice Commissions, he started his well-known method of gradually wearing down opposition to his plans. Shock-tactics were given up after Petain discarded Laval, who would have handed over not only the French fleet but also the French Empire, and subtler methods of approach were adopted. At home the Germans set to work to convince Vichy that Britain would never win the war, and started wooing in different ways the pro-Axis elements in the Government. This had its reward when Count de Brinon, Vichy's Ambassador in Paris gave an interview to American Press representatives on March 27, this year. "If we believe that England has already lost the war and if, as we should do, we consider the interests of our country", de Brinon said, "we should come to an agreement about collaboration in Africa. It is to our advantage that, at the moment when the British influence collapses... we should

associate among the nations who are so sensitive to force, the old prestige of France and the prestige of the German victor". Admiral Darlan was, of course, of the same opinion, and the appointment of Gen. Huntziger in August to the supreme post in Africa, meant the decline of Weygand's poli and the encouragement of German infiltration which was already assuming serious proportions.

(iii) Recent Moves.

The removal from his African duties of Gen. Weygand who, if not pro-British is certainly not a pro-german careerist like Darlan -- and the big Vichy reshuffle of civil and military posts, suggest that Vichy is being jockeyed into position to meet new German needs. A former reshuffle (in August) had replaced Gen. Nogues in Morocco, considered as an adherent of the original armistice terms, by Gen. Juin. Now Juin replaces Weygand, also reputed for probity, as Commander-in-Chief in North Africa. Weygand's other post of delegate-general in French Africa has been abolished. A Secretary-General (Vice-Admiral Senard) has been appointed instead, to be directly responsible to the sinister Darlan.

The French Army in North Africa, whatever its sentiments and despite its numbers, cannot be expected to resist German military penetration effectively without adequate arms, equipment and food.

(iv) German Infiltration.

That the German policy has been root-and-branch anti-French, though disguised under the euphemism of "collaboration", is shown by their incitement of Moorish interests in French Africa towards separatism, their encouragement of Spain to renew her claims against the French in Morocco, and their use of both as blackmail to enforce Vichy's subservience to general Nazi designs.

As for German infiltration, its extent can only be estimated from neutral and other reports over a long period.

Four to five thousand German technical experts under the command of Captain von Krauss, were reported in July to be busy fortifying Dakar, Casablanca, Mers el Kebir and other French naval bases. The so-called Armistice Commission in Morocco, said the Tangier correspondent of the News Chronicle on November 8, has now reached so great a proportion that it can almost be regarded as an army of invasion. A son of Baron von Neurath, it was reported recently, is in Tunis at the head of a Nazi mission "inspecting" highways and strategic districts in Oran and Bizerta.

(v) Free French Africa.

The adhesion of French Equatorial Africa, which comprises Gabon, Middle Cango, Ubangi-Shari, the Chad Territory and the mandated Territory of the Cameroons, means the closing of what was otherwise a large gap in Allied territories between the Western and Eastern coast of Africa. The western flank of the Anglo-Egyptian Sudan is thus protected, while the southern borders of Italian-occupied Libya are laid bare to the Free French forces, and especially to the virile fighters of the Chad territory. Through this solid bloc of territory it is possible to get in American aid through the Free French ports of Gabon and the Cameroons, and to operate trans-African air communications between the Atlantic and the Red sea.

(vi) British Aid.

In the arrangements made by Britain and General de Gaulle for Equatorial Africa, the franc has been stabilised at 176 to the £, and the British Government has made advances to cover the colonies' immediate requirements. The whole of the 1940-41 crop of cocoa in the Cameroons, the cotton of Equatorial Africa, and the palm-kernels of the French Congo are being purchased, as also the existing stocks of hides, skins, bees wax and glue. In return essential supplies including mineral oils, etc., are being sent to the colonies, and more comprehensive trade agreements will be reached.

(vii) Washington and Vichy.

Questions of Vichy's policy in Africa, which will inevitably grow more pressing with the opening of the Allied offensive in Libya, have hitherto been influenced to some extent by the desire to keep on good terms with the U.S.A.

American supplies of food and other necessities have in the past been allowed to reach Vichy territory in Africa, where their distribution has been supervised by U.S. consular officials to forestall the German plunderers.

Vichy's increasing submission to Nazi policies, however, may well reach the point at which all such supplies will be stopped and diplomatic relations severed by the U.S.A. America is well aware of the immediate danger to herself which would be presented by complete German control of North Africa, and it is certain that succour and sympathy will be offered only to those willing and able to resist the extremities of Nazi ambitions.

2. RUSSIA.

(a) Moscow.

The recommencement of the Moscow offensive may be a last German attempt to gain the city, or be designed to occupy the Russians while winter quarters are being prepared on the existing German lines. The centres of fighting, Kalinin, Tula and Kursk, where a thrust is being made towards Vono ezh, betray the old pincer technique, and also the hope of cutting off the central from the southern army by cutting the principal railway. The interpretation of the German operations in the Moscow sector as a "holding movement" is supported by the fact that German propagandists have been lately concentrating on the Crimea and the Caucasus, and treating them as lands of promise.

(b) The South.

(i) Kerch.

The Russians have now announced the evacuation of Kerch. The difficulties involved in forcing a crossing of the Kerch strait have already been explained. (145th Guidance Notes, Section 2, para (a) (iii), and 146th Guidance Notes, Section 1, para (e) (ii)). To these may be added the advantage the Russians will now enjoy in having room on the mainland for the operation of dive-bombers and fighters.

(ii) Rostov.

Much more important than Kerch is Rostov, through which oil supplies from the Caucasus to the central armies pass. If this should fall, supplies would have to be sent by barge from Baku to Astrakhan and thence by road.

(c) The Far North.

German claims in the Far North are designed more to impress the world with Finnish loyalty than to register actual progress. In fact the railway from Murmansk to Soroka and the branch thence to Archangel is firmly in Russian hands, and the Finns are not within 150 miles of Soroka.

(d) Conclusion.

Russian resistance continues strong, resolute and resilient. It may be noted, in justification of a tone of sober confidence, that except for the German irruption into the Ukraine, the battle lines have remained almost stationary for the last month.

3. UNITED STATES.

(a) Neutrality Amendment Act Vote.

The narrow vote in the House of Representatives, which passed the Neutrality Act amendments by a majority of only 18 in a house of 435 members, and then only after letters had been read from the President and Mr. Cordell Hull, has caused some speculation. If the President's foreign policy was the only issue in question in this vote, the House's action, as Raymond Gram Swing, the American commentator, has observed, might well give cause for uneasiness. But the fact is now clear that another question-that of the President's policy towards Labour-clouded the issue. It was a group of Democratic representatives, in revolt against what they regard as the mistaken leniency of the President towards Labour, who endangered the passage of the amendments.

(b) The Labour Issue.

(i) "Closed Shops" and "Captive" mines.

The immediate Labour dispute is a technical one. The United Mineworkers of America are led by Mr. John Lewis, ex-head of the radical Committee of Industrial Organisation, who last spring secured for them a substantial rise in pay. The Mineworkers have established the principle of the "closed shop", or no admittance for non-union labour, in all independent mines. They now want to extend the principle to the "captive" mines, or mines owned and operated by the steel companies.

This apparently reasonable request, is, however, complicated by the fact that the "closed shop" principle does not extend to the steel-workers, and the steel companies fear that a concession in the matter of captive mines will prove the thin end of the wedge for the whole steel industry. Mr. Lewis' record suggests that this might well be the case.

(ii) The Present Difficulty.

The present situation has been precipitated by the decision of the Federal Mediation Board against the closed shop principle in captive mines. Mr. Murray, C.I.O. President, and his assistant resigned in protest. But it was Mr. Lewis who called 53,000 miners out on strike. This action raised the dispute from one of labour rights to a question of national importance. Can the country's defence efforts be held up at a time of national emergency by strikes? The whole relation of the State to Labour has thus been brought in question.

(c) The Labour Background.

(i) Labour in Britain.

The whole Labour position is quite different from that existing in Britain, where practically the whole of Labour is covered by a network of unions who are all federated in the Trade Union Congress. British Labour rights and methods are well established, and the area of possible disputes is restricted by government control of prices and the knowledge that the war profits of industry are going almost entire to the State. The net profits of Britain's heavy industries are actually less than they were before the war. British Labour leaders are responsible statesmen like Mr. Bevin, Mr. Greenwood and Mr. Morrison.

(ii) America's Expanding Economy.

In America, on the other hand, there existed until the great slump of 1929 an expanding economy like that of mid-Victorian England. An expanding economy tends to skim the ranks of Labour of its leaders, who enter the ranks of employers, on the "log-cabin to White House" principle. Thus American Labour is far less organised and developed, and has far less tradition than in Britain.

(iii) A.F.L. and C.I.O.

The two chief organisations are the American Federation of Labour (A.F.L.), headed by Mr. William Green, and the Committee of Industrial Organisation (C.I.O.), headed by Mr. Philip Murray. The former represents roughly the skilled and the latter the unskilled workers, and they are very jealous of each other. Both have their skeletons. "The A.F.L. is infested with racketeers as the C.I.O. is plagued with Reds," observed Time, the American journal, on September 22. Point was given to this statement by the sentencing of two A.F.L. leaders on November 12, to eight and ten years imprisonment respectively for extorting £137,000 from four film companies as the price of peace in the film companies.

(iv) American employers.

American employers, on their side, are still in the "hard-boiled" stage of labour relations. It is only a minority of enlightened men who realise that a contented staff requires not only reasonable hours and conditions of work, but also some means of self-expression as afforded by trade unions. Above all, they resent any interference or even curiosity about their profits.

(d) The Roosevelt Way.

(i) The New Deal.

President Roosevelt in his New Deal posed as the workers' friend. His "pump-priming" gave them employment, his social policies like unemployment relief encouraged their development, and his taxes touched the profits of the rich. The C.I.O. flourished under him and Mr. Lewis boasts that the President's re-election in 1936 was due to his block of votes.

(ii) Labour claims v Defence demands.

The assertion of Labour rights always involvs some industrial turbulence, and this process has now come into conflict with the national emergency. Immense defence production demands no strikes, but the pinch of rising prices urges and the suspicion of huge profits tempts, workers to use the strikes at such times as a form of blackmail. The emergency seems distant, the fact of prices ever present, and the inexperienced worker is thus easily led by shortsighted leaders on the selfish course of strike threats.

(iii) The President's policy.

The President has tried to meet the situation by appeals to patriotism, by setting up a Mediation Board, by trying to control price rises, and by taking over particular factories. None of these steps has been wholly successful, because none of them has been pushed far enough, on the one hand employers are demanding the illegalisation of strikes in defence industries, on the other hand men like John Lewis have been threatening to join the Isolationists. The President has been trying to avoid breaking with either side as long as possible, but the House vote suggests that public patience is running short, and that therefore he must soon resort either to compulsory arbitration or else to the wholesale taking over of works by the military.

(e) Conclusion.

One thing is certain, the public, which has showed in Gallup polls that it is overwhelmingly behind the President's foreign policy, will not tolerate sabotage of the defence programme from any quarter. The President's patience, which seems weakness to some, is actuated by the desire not to prejudice the chances of post-war reconstruction by creating a social fissure which may flow outward in ever widening rings of bitterness and discontent.

Labour's soundness on the war issue is shown by Mr.Murray's declaration on November 16, that the C.I.O. offers "its complete support" to the President's policy of aid to nations "struggling to rid the world of Nazism." The C.I.O. greeted with "thunderous applause" a resolution at its annual convention pledging support to the President's foreign policy, and passed it without a vote being taken.

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CONFIDENTIAL

HUNDRED-FORTY-EIGHTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED NOVEMBER 25, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Libyan offensive is going well. Do not under-estimate enemy's fighting power, but stress great scale of operations, offensive spirit of British and Empire land forces, and telling factors of British air and sea supremacy.

2. Renewed German drives both in Moscow and southern sectors are serious, but you should continue to emphasise gap between German aims and achievements. Publicise Lozovsky's statement that enemy will be allowed no winter lull.

3. Interpret all hints of German peace-offensive and "united Europe" propaganda as evidence of German difficulties, not strength.

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1. AFRICA.

What the British Offensive Means.

(i) Growing Strength.

The offensive in Cyrenaica, which in its first week has already taken on a highly encouraging character, has a significance wider than its main task of destroying powerful enemy forces in the Western Desert and eliminating the Axis threat to Egypt and the left flank of the Allied position in the Middle East.

The launching of a campaign on this scale has an important bearing on the whole war position as it exists today after more than two years' fighting in which, on every front, the enemy has thrown everything into the bid for total victory.

As an index of steadily mounting Allied strength, it should be regarded as significant that British tanks are now in the fighting line both in Russia and in North Africa. American armaments also, so often derided by German propaganda as a British pipe-dream, are proving themselves in combat against the German armies.

Looking further afield, Mr. Cyril Lakin has pointed out in a B.B.C. talk that "our willingness to take the initiative in North Africa at a time when the peace of the Pacific is nearer to being disrupted than ever before, argues that we are satisfied with the preparations which we have made against all eventualities."

(ii) This Year and Last.

Some indication of the weight and scale of Auchinleck's offensive is provided by the announcement that the first advance took place along a line extending for 120 miles from Sollum to the Oasis of Giarabub.

Instead of the daring coastal jab of Wavell's campaign, conducted by a force vastly inferior in numbers to the enemy, the present operation is a majestic sweep by an army which has been steadily accumulating reinforcements of men and armaments. The fighting is stiff, and will continue to be so, but the enemy's supply lines along the coast and across the Sicilian Channel are exposed to very heavy attack from British naval and air forces, which have attained a definite superiority.

The first Libyan campaign destroyed the Italian Army, thus saving Egypt from invasion and making possible the conquest of the Italian Empire in East Africa.

This second campaign is (as the Italians themselves have admitted in a broadcast) the first phase in a battle for complete mastery of the Mediterranean. It is here that British sea and air power can co-operate with maximum efficiency with the land forces.

(iii) The German Choice.

The Germans must choose between two courses. On the one hand they can attempt to hold the front by pouring in reinforcements and additional supplies (including oil from reserve stocks) across the sea route which will become increasingly precarious as the British Navy closes in upon it.

The realisation of this fact may well be the explanation for the German pressure on Vichy which has resulted in the removal of General Weygand from French North Africa. A more compliant officer would throw open Bizerta and Tunis to Axis supply ships and afford overland transit facilities to Libya.

The alternative course open to Hitler is to leave the German-Italian army in Libya to do the best it can while he stakes everything on the Caucasus; if that is his decision he may in due course have to reckon with the Sicilian Channel as a British bridge-head. To meet such a threat, important troop diversions to South Italy would become imperative.

(iv) Sea Power.

The launching of the Libyan offensive has come hard on the heels of the revision of the American Neutrality Act. The two events are linked together by the factor of sea power.

The strain imposed on the British Navy by the Battle of the Atlantic, the protection of vital convoys round the Cape and the Red Sea to Singapore and Australisia, and latterly the maintenance of the northern supply route to Russia, has been terrific. Now that American merchant vessels can be sent direct to Britain and into every other combat zone under protection of the navy of the United States, the British Navy will be able to concentrate its hitting power to an extent that has previously been impossible. Its effect upon the Mediterranean situation cannot fail to be drastic.

When, within the next twelve months, the production of new shipping from American shipyards gets into its giant stride the sea power of the Democracies will have become the master weapon.

(v) Danger and Opportunity.

If consideration of these heartening factors were to ensnare us into complacency we would lose the war before the potentialities could be capitalised.

Russia is still in dire peril: Germany still commands the industrial resources and raw materials of almost all Europe and the German military machine is unbroken. But a candid examination of the German situation and our own warrants the conviction that great opportunities as well as great dangers are beginning to present themselves.

2. RUSSIA

(a) Winter and the North.

(i) German Failure

Seven weeks ago Hitler launched a renewed offensive against the Russians, which he described in the Order of the Day as "The last mighty blow which will shatter this adversary before the onset of winter".

Winter is now closing in, although over so vast a front climatic conditions naturally vary. There is definite evidence that the German troops are considerably less well equipped to withstand the effects of winter than are the Russians. A winter in

the open for the Germans is a declared aim of Russian strategy, and M. Lozovsky has made it clear that it is the Russian intention as far as possible to deny to the enemy either winter quarters or a winter lull.

These considerations apply with particular force to the Central sector, where failure either to take the capital or to give satisfactory winter stability to the whole front from Leningrad down to Kursk would have the most serious consequences for the German army and for German prestige generally. Leaving Russian resistance altogether out of account, it is dangerous to deploy large forces in the open in severe weather unless they are specially equipped and supported by a constant flow of hot food and comforts from the rear.

(ii) Another German Effort!

There are signs that the German High Command, after prodigal expenditure of life and material, is beginning to abandon the idea of the "last mighty blow" that would shatter its adversary by a frontal assault. The new German effort in the Central Sector, which has now been proceeding for a week and is said to have produced the fiercest fighting of the whole campaign, seems designed (a) to smash its way between Zukhov and Timoshenko south of Moscow, and between Zukhov and Leningrad to the north-west, and (b) to cut the Russian arteries in the north and south along which the indispensable British and American supplies are flowing in increasing volume.

If the Russian armies could be thus hamstrung, even temporarily, force would be added to the German attempt to represent the Russian cause to all concerned as hopeless. At this stage of the war, that is Hitler's supreme need.

(iii) The Northern Lifelines.

In the north, the Germans are faced with the task of cutting the railways which link the two supply ports Murmansk and Archangel with Central Russia. The two dangers to which the Murmansk and Archangel lines are exposed are the German-Finnish drive in the north to Soroka junction (much shorter) and in the east the thrust from the region of Salla on the Russo-Finnish frontier to Kandalaksha.

Neither of these threats can be regarded as imminent. Arctic winter has already descended and even during the summer months German troops in this sector were only saved from disaster by the more experienced Finns.

If cutting of the Russian supply-line from Murmansk presents difficulties, the severance of the line from Archangel to Vologda and to Central Russia is an even more onerous task. It would involve an advance along the railway from Tikhvin to Vologda, a distance of about 220 miles, and Russians will contest every yard of the way.

Moreover, as long as Leningrad withstands the assault it seems extremely doubtful whether the Germans could maintain such extended lines of communication in winter conditions.

The immediate danger is not against the Archangel artery, but that an extension of the German thrust from Tikhvin may turn the flank of Zukhov's army based on Moscow.

Hitler, in fact, appears to be gambling to the limit. If he is rash enough to stretch out a tenuous arm from Tikhvin either to the north towards Lake Onega or to the east towards Vologda, he runs the grave risk of having his arm cut off by concerted thrusts from Leningrad and the Central Sector.

(iv) The Finns.

A curious point which comes from Stockholm correspondents via Saigon Radio is the suggestion that the British Libyan offensive will be so satisfactory to Moscow as to permit the shelving of the question of a British declaration of war on Finland.

Such a British declaration is not so obvious a move as might appear at first sight. And in that connection it is worth noting that the Swedes (who have recently rejected a further German demand for facilities to transport troops through their country) are still strongly sympathetic to the Finns, and would become seriously divided if confronted by the dilemma of surrendering to Germany in order to help the Finns, or of standing up to her and so denying help to their neighbours.

Every thing in fact points to a stalemate in the far North. The Finns are undoubtedly war-weary and are not far from the starvation mark.

If German pressure were now applied to force the Finns to engage in a costly assault against Kandalaksha, Marshal Mannerheim and the pro-German party in the Finnish Government might well lose their precarious hold on public opinion.

(b) Oil and the South.

It is obviously in the south that the Germans hope to score a decisive success. By conquering the North Caucasus and occupying Astrakhan they would deprive the Russians of their principal oil supplies and virtually sever the Anglo-American supply line through Iran.

(i) Rostov and Kerch.

Earlier indications that Marshal Timoshenko is fulfilling the Herculean task of re-creating effective fighting resistance in the Donetz basin have not been disproved by the German week-end claim to have captured Rostov, where the Russians confirm street-fighting, following enemy penetration of the outer defences.

It is true that German capture of the city would be a blow to the Russian defence of the Caucasus. Rostov, however, lies on the west bank of the Don, and the really important question is whether the enemy has succeeded in crossing the river.

The other critical crossing-point is the strait of Kerch between the Crimea and the Caucasian coast. If the Germans are to effect a crossing in the teeth of determined opposition, it is essential for them to achieve local air supremacy. To do that they must establish forward airbases in the Crimea.

By sheer weight of numbers and metal the Germans have been able to push on into the Kerch Peninsula more rapidly than was anticipated, but the possibility still remains that the struggle for the strait itself will be bloody and protracted. On the Caucasian side a difficult country awaits them with narrow isthmuses between numerous lakes.

(ii) Germany's Oil Needs.

Although the Germans are advertising their impending drive to the Caucasus as a deadly blow against Russian resources and Russian communications with the outside world, it is highly probable that the real driving force behind it is the desperate need to secure Caucasian oil for themselves. How desperate this need may be is one of the crucial questions of the war. According to oil experts who have made an intensive study of the subject, Germany with German-controlled Europe including Italy was just able to be self-supporting as regards oil before the Russian campaign began. The present production of crude oil, synthetics and various substitutes is assessed at 12,500,000 tons per annum.

According to these writers the fighting in Russia has involved increased consumption at the rate of 500,000 tons per month. A proportion of this added demand could be met by cutting down non-military consumption, but this would not be a high proportion since road transport for war production and essential services has already been brought near the minimum. These writers agree that a reasonable estimate of the net withdrawal from stocks would be about 400,000 tons per month --that is to say 2,400,000 tons from the beginning of the Russian campaign up to early December.

(iii) Reserves and the Margin.

What is the extent of the reserve from which this additional supply has been withdrawn?

That is, of course, one of the most closely guarded of Nazi secrets. A number of independent calculations, however, by well-known writers on oil production and distribution, all produce totals falling within limits of 5,000,000 and 6,000,000 tons when Russia was invaded.

Of the stocks now remaining a proportion is perpetually immobilised, a part being always in transit and a part being needed to maintain the vast network of supply depots all over Europe. It will be seen, therefore, that when an allowance is made for immobilised stocks, the margin available for future excess expenditure is strictly limited.

(iv) The German Problem.

The Germans can meet the situation by abandoning any major offensive during the winter months, thus conserving their depleted stocks. But even then, they would be faced with the necessity of continuing to bring up supplies to troops strung out along a 2,000 mile front, of maintaining the minimum air-protection and of using oil as a source of both power and light in occupied Russia to replace the electrical power-plants and coalmines which have been systematically destroyed. Such a policy would eat into their attenuated reserves to an extent which (to put it at its lowest) would seriously weaken a spring offensive.

The alternative before the Germans is to adopt 'all-or-nothing' tactics by putting all they have into seizing the Caucasian oil-fields within the next few weeks.

If they succeed there is no question but that the Russians will make their usual response by wrecking the oilwells at Makhachakala, Grozny, and blowing up the refineries at Maikop and Grozny, Armavir, Krasnodar and Tuapse. While it is impossible to put an oil-well out of action indefinitely, the Germans would be unable to extract any crude oil for at least three months, and on the analogy of the Rumanian oilwells in the last war it might take six months. With the refineries gone, oil would have to be transported to Rumania for refining or to be shipped back to Germany to be treated. The general traffic congestion in the Reich would make the latter course extremely difficult.

(v) Conclusion.

If these calculations are even approximately accurate they mean that the Germans dare not stand still, and that if they throw in all they have and conquer the Caucasus they will not be in a position to resume the offensive on a large scale until the middle of next year at the earliest. By then, the volume of British and American supplies reaching Russia, even if restricted to the ports in the north, will have reached very substantial dimensions and British military power in the Mediterranean and in the Middle East will have had time to become extremely formidable.

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CONFIDENTIAL

HUNDRED-FORTY-NINETH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED NOVEMBER 29, 1941.

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POLICY

1. Though at present situation in Libya is necessarily somewhat obscure there are no grounds for any lack of confidence in our ability to secure primary objective of destruction of enemy armoured forces.

2. Russian morale is unimpaired by admittedly grave danger of heavy German pressure to secure Moscow for winter quarters. Play up successful Russian counter-attacks especially in Rostov sector.

3. German peace-offensive is definitely missing fire. Stress Ribbentrop's references to revolt in occupied Europe and admission that force is German New Order's only sanction.

4. All references to Far East situation should emphasise A B C D solidarity and preparedness.

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1. NORTH AFRICA

(a) The Situation Now.

No clear picture has yet emerged of the Libyan battle, which has been obviously in certain phases a give-and-take affair with the ground changing hands at different periods. This may account for the enemy claims of prisoners taken, though probably the claims are largely exaggerated for home consumption. After continuous fighting for nine days, both sides have probably been reorganising and re-grouping, and Cairo announces that we have thrown in tank reinforcements.

It is possible that infantry has begun playing a prominent role, as some reports suggest, and this would naturally tend to lessen the speed of movement though nowise affecting the intensity of the fighting. The enemy is fighting like a wounded trapped tiger dashing to and fro for a chance of escape from the encircling ring.

(b) Early Phases.

It is important to bear in mind Mr. Churchill's clear statement of the object of the British and Empire offensive, which is "not so much the occupation of this or that locality as the destruction of the armed, and primarily of the armoured, forces of the enemy".

This has been proceeding according to plan, and has entailed as was expected fighting of the bitterest kind. Action up to now can best be described as a panzer-hunting campaign, the hunt having passed through three stages:

(i) The first stage.

Avoiding a frontal attack on enemy positions at Sollum and Halfaya, an enveloping movement was pursued round the enemy's inland flank with the object of pinching a portion of his forces between the British attacking forces and the sea. This movement was perfectly successful and resulted in an advance of 50 miles in one day. The enemy was in most cases taken completely by surprise.

(ii) The second stage.

Taken unawares the Axis forces offered what resistance they could. They suffered heavy losses in tanks and personnel. A considerable proportion of their aircraft was bombed and destroyed on the ground by the R.A.F., which from the beginning had assumed the ascendancy in the air. Enemy supplies, petrol dumps and troop concentrations were bombed. Meanwhile the enveloping movement of the British forces went on. They reached Sidi Omar and Bardia and cut off the Germans from the west; reaching Sidi Rezegh they isolated another section from the west. These isolated units of the German Panzer Korps were attacked from land and air.

(iii) The third stage.

The Germans reinforced the Luftwaffe in an attempt to restore the balance. Nearly half the German tanks have been destroyed, and about 15,000 prisoners taken. German armoured formations are now split into five groups! The vast net of encirclement is dealing with each of these groups separately. One arm of the British forces composed of British and Indian units penetrated into the heart of Libya and captured the entire oasis region of Gialo. British armoured formations have made contact with the defenders of Tobruk.

(c) Pace of the Campaign.

Two factors are important in conditioning the pace of the British offensive.

(i) Hitler has been compelled for the first time to fight a defensive land battle on equal terms with his adversary. A defeat here would shatter the legend of his invincibility, and severely damage his prestige. These reasons alone are sufficient for Rommel to resist to the death, no matter how hopeless his position may become.

(ii) The British aim is not to capture places, but to annihilate the enemy's armoured forces. Once these are destroyed territorial advance will be unhampered. So the question of advance in the familiar sense does not arise. The British forces advance to contact the enemy panzers, envelop and destroy them, and this is being done very effectively.

(d) Air and Sea.

In spite of German reinforcements of the Luftwaffe the R.A.F. still maintains its ascendancy. American built Tomahawks and fighter-bomber Hurricanes are playing havoc with German supplies, tanks and troops. The reinforced Luftwaffe is concentrating on the defence of Axis supply bases against British air attack.

The Mediterranean fleet has sunk 7 Axis supply ships, one crusier, one destroyer and one submarine. It can be counted upon to deal effectively with any attempts of the Axis to bring supplies in great quantities.

(e) Tobruk.

"The announcement that a New Zealand force has joined hands with the Tobruk garrison", says the British Official Wireless (November 28) "is regarded as of the highest importance in authoritative quarters in London. If as may be expected the junction is maintained and the breach in the besieging ring of Axis forces round Tobruk made wider still, Tobruk with its sea-communications may become a valuable base for supplies for the field forces which at present maintain long lines of communication stretching across 200 miles of desert.

"It is not long since the garrison at Tobruk was relieved by fresh troops and reinforced with tanks landed from the sea. These tanks are now available to take part with those fighting the main battle in the Sidi Rezegh area."

2. RUSSIA.

(a) Operations.

(i) Moscow.

A lull in the worsening weather appears to have facilitated the desperate attempt of the German armies to batter their way to Moscow and winter quarters by means of lateral thrusts. Aimed at a closer encirclement of the capital than had hitherto been attempted, the new German effort has now been proceeding for 12 days, and has undoubtedly made progress both in the Tula area well to the south of Moscow and around Klin to the north west, on the railway from Moscow to Kalinin and Leningrad.

The Russians, with that candour which has been previously noted as evidence of moral strength, have admitted the gravity of affairs in the Central Sector. According to the Moscow radio more than half of Germany's tank divisions are operating round Moscow; and it is evident that the German effort is being undertaken regardless of cost, which in men and materila is enormous.

There is, however, no sign of the slightest weakening in the splendid morale of the Russians, or in their confidence that the German assault will be withstood.

(ii) Tikhvin.

In the last issue of Guidance Notes (No.148, Section 2, para (a) (iii)) reference was made to the difficulties the Germans would encounter in any attempt to advance eastwards along the railway from Tikhvin so as to cut the Archangel lifeline at Vologda, 220 miles away.

It is now seen that Tikhvin itself, the furthest point of German eastward penetration in the Leningrad sector, is precariously held. Russian forces have succeeded in re-entering the town, and street-fighting is reported.

(iii) Rostov.

Nearly a week has passed since the German claim to have captured the important city of Rostov near the mouth of the Don, but such penetration as their forces may have made here has certainly not been consolidated.

It should be borne in mind that Rostov lies on the west bank of the Don, and the enemy do not appear to have secured any crossings over the river. There are only two permanent bridges, both single railway lines, hereabouts, while there are four temporary road bridges, removable when the river freezes, and presumably the Russians have taken steps to remove or destroy all six bridges. There are no other bridges for 200 miles north of Rostov.

German failure so far to secure any important success at this point may well be accounted for in the reports of Timoshenko's strong counter-offensive, which is said to have carried the Russian forces sixty miles west of Rostov.

(b) A German View.

The following German comments on the present stage of the campaign in Russia, though put out extremely tentatively over the Italian radio (in French), have an interesting bearing on the psychological problems with which Hitler is now faced in his attempts both to reach a decision in Russia and to act towards the world at large as though a decision were not necessary.

"The German military critic, General Hassel, commenting on the present military situation, points out that after having reached the two immediate and essential objectives -- that is, the Don and Moscow -- the German armies may continue their offensive or, in case the Fuehrer thinks it more opportune, form a hermetical barrage between Europe and the remainder of the Soviet Union.

"The German General also analyses the possibilities of a new Soviet offensive during the next spring. He comes to the conclusion that it is an absolute impossibility for Russia to take up the fight again..... The General added that the Fuehrer's declaration of October 3, to the effect that the campaign in the east had already been decided, should not be interpreted in the sense that Stalin, perhaps, would be forced to give himself up or to capitulate. Hitler's declaration had a much deeper meaning than was imagined by Anglo-Saxon leaders and strategists."

This deeper meaning, however, General Hassel did not proceed to elucidate.

3. GERMANY.

The Anti-Comintern Meeting.

There can be little doubt that the Anti-Comintern Meeting in Berlin is all that is left of the grandiose Nazi project for a great gathering of the European nations in Vienna or (preferably) Moscow, to consolidate the "New Order" in the eyes of the world and prepare the ground for another spurious "peace-offensive."

(i) Ribbentrop's Reappearance.

The reappearance of Joachim von Ribbentrop on the diplomatic scene was notable for what is perhaps the most damningly revealing statement on the "New Order" that has so far issued publicly from the lips of a German leader. At a meeting aimed ostensibly at convincing the world that Europe under German tutelage is a contented, invulnerable and economically admirable going concern, the German Foreign Minister declared unmistakeably that the only sanction of the "New Order" is naked, repressive violence.

"The tank and the dive-bomber", he said, "preclude the possibility of a revolt in the disarmed territory".

(ii) Comparison and Contrast.

For illuminating comparison, this blunt statement may be set beside two other recent German utterances: first, that of the German radio on November 7 that "the execution of hostages must be considered to have been in the best interests of humanity;" second, that of Seyss-Inquart to the Dutch on November 18 that "Independence is incompatible with the comradeship for which the Germans strive".

In vivid contrast to all three may be quoted Mr. Churchill's words in the House of Commons:

"Any who vote against the Government will not be assaulted with rubber truncheons, sent to concentration camps, or otherwise molested."

(iii) Axis Oratory.

The extraordinarily poor showing of the representatives of "states" for the most part inconspicuous (and lacking the important presence of a Vichy delegate) round the table in Berlin, has not deterred the Axis radio from a spate of fantastic oratory on the subject of the meeting.

The Hungarian radio estimated the signatories of the Pact as "representing" more than 400,000,000 people. The German home radio made it more than 500,000,000, and went on: "There are other nations which in their hearts are in the Pact, and adding them we find about 750,000,000". The Italian radio actually counted in "the great Chinese masses", totalling 300,000,000, on the strength of the cable from the puppet government of Nanking.

(iv) Unwilling Puppets.

The following expressions of opinion in countries which actually sent representatives to Berlin need no further comment.

Denmark. "The Government found it opportune to accept the invitation". (Copenhagen Radio).

Spain. "The Anti-Comintern Pact will have to be revived as the adequate reply to the friendly relations between Britain and the U.S.S.R." (Spanish Radio).

Japan. "Japan's cleavage to the Pact signifies no antagonism against any State or people". (Japanese News Agency quoting Tokyo Press).

Finland. "The Pact does not alter our relations with other States". (Helsinki Radio).

4. BRITAIN.

The Western Air Front.

(i) Prolonged Lull.

Since the third year of the Air War opened the seemingly restricted activity of the R.A.F. on the Western Front has given rise to some public disappointment -- more especially in view of the great expectations that have been aroused. Numerous statements by members of the War Cabinet (including Mr. Churchill) emphasised the Air Staff's intention as the nights lengthened, of hitting Germany and Italy harder than ever before.

It is true that in recent weeks Naples, Brindisi and numerous objectives in the "toe" of Italy and the island of Sicily have been heavily raided again and again. But these operations form part of the bombing pattern designed by the Middle East Command to fit in with General Cunningham's plans. They cannot be regarded as part of the Western Air Offensive.

In the period September 3 to November 27, large-scale raids mounted by home-based aircraft on targets in Germany and Italy totalled only 38. Of these, only 18 (including Berlin 2, Genoa 1, and Turin 2) entailed deep penetration into enemy territory. The remainder were directed against German North Sea and Baltic ports.

(ii) The Reason.

These statistics themselves provide a clue. That the R.A.F. was able in 12 weeks to mount only 13 heavy raids on targets in Germany's industrial heart -- the Ruhr and Rhineland -- suggests that the weather experienced over that area was perhaps the foulest ever. For the Ruhr and Rhineland has always been and will continue to be the principal target of the R.A.F.'s Western Offensive. Heavy flak, blinding searchlight concentrations (often as many as 80 in a single cone) and Nazi night fighter pilots have never deterred British night bomber crews from pressing home their thousands of attacks on objectives in this area.

Only the weather -- which will never be Nazi-controlled -- has so far kept British bombers away from S.W. Germany. It is worth sacrificing men and machines, petrol and explosives when there is a reasonable chance of picking out the objective and destroying it. It is madness to sacrifice them when bad weather reduces the chance of success almost to nil.

(iii) Other Activity.

At the same time, the lull does not mean that the most useful phases of British air activity have been entirely suspended. The attacks on shipping in the North Sea and English Channel continue. Bomber and fighter patrols still scour the 3,000-mile enemy coastline from Petsamo to Biarritz. Mines are regularly laid in the fairways of enemy harbours and British convoys are still escorted safely to port by aircraft of the Coastal Command. In this way the R.A.F. is still playing its part in the Battle of the Atlantic, on the result of which the survival of Britain and the triumph of the Allied cause directly depends.

(iv) The Luftwaffe.

The hampering effects of the weather on offensive operations are offset by the hammering the *Luftwaffe* is receiving in Russia and in Libya. In these circumstances, even if all the home-based R.A.F. squadrons were grounded (which they certainly are not), British air strength would still grow faster than the German.

Another encouraging feature is the continued absence of any large-scale enemy air activity over Britain. There have been no heavy raids since the Russian campaign began and the number of German planes flying over Britain has averaged little more than ten a day. Even so, in 22 weeks of tip-and-run raids the *Luftwaffe* has lost 120 aircraft (mostly bombers) over the island. In other words, some eight per cent of the planes Goering has sent to raid Britain since June 22 have failed to return to their bases.

(v) Conclusion.

The most reasonable attitude to adopt on the subject of the R.A.F.'s western offensive is that of "wait and see." There has been no indication of any change of general policy on the part of the Bomber Command, and there is every prospect that under suitable conditions, which cannot be assessed by the ordinary public, the R.A.F. will resume its increasing role in the assault on Germany.

CONFIDENTIAL

HUNDRED-FIFTIETH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED DECEMBER 2, 1941.

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POLICY

1. Russian defence and British and Empire offensive in Libya should be treated as parts of a co-ordinated front against Germany. Allied successes in both war-theatres have their effect in Vichy and Tokyo as well as Berlin.

2. Optimism is justified in Libyan campaign, where enemy's great effort is to escape rather than to defeat Imperial forces.

3. Treat Japan as Germany's dupe threatened eventually with Italy's fate if she plays Axis game.

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1. GERMANY.

(a) Hitler's Gamble.

(i) The long Battle-line

From Leningrad to Tobruk, from the Arctic wastes to the Libyan desert, there is one war. The turn of events on any given sector of that gigantic battle-line affects the situation on every other sector. At this moment the Germans are heavily engaged on both the northern and the southern wings. The course of events at present is satisfactory to the Allies, and further favourable developments will have an important influence on the future course of the war.

(ii) Moscow the Touchstone.

In the eyes of an observant world, Moscow has become the touchstone of German success or failure in the struggle with Russia. A triumphal entry into Moscow is urgently needed by Hitler to convince the Japanese that high-diving in troubled waters on their part is not necessarily suicidal. The entry into Moscow is also needed to convince reluctant, if not actually resistant, Frenchmen that a Vichy surrender of the French fleet and French North Africa to German control is the only possible course if France is to be saved from extinction. Meanwhile, however, every week's delay before Moscow reduces the psychological value of its capture if and when that is to be achieved.

The danger of frustration on the Russian front looms before Hitler at a time when the lengthening shadows of expanding American intervention and the British offensive in Libya are chilling the hearts of his own people and the Axis satellites while stirring up new hope among the enslaved peoples of Europe.

(iii) Raising the Stakes.

Always a gambler, Hitler has met the situation by deliberately multiplying his stakes. Though "stabilising the Russian front" is still held out to the German people as a secondary hope, a new German offensive has in fact been launched all along the line.

Regardless of the present cost and of future needs, reserve divisions, both armoured and infantry, have been thrown in at selected points in a desperate effort to break up the Russian armies of the north, the centre and the south, into isolated units, and cut them off from their supply lines and bases. They have not succeeded.

(iv) The Issue with Vichy.

The obstacles to the increasing German pressure on Vichy for vital concessions in Africa and the Mediterranean have hitherto been the French people as a whole and a group of Vichy politicians who favoured a "wait and see" policy.

Such a policy must be even more tempting now that the British offensive in Libya is under way. Not so in Berlin. Hitler, gravely alarmed by the perilous position of Rommel's forces, has apparently decided to wait no longer, but to run the risk of forcing France into military co-operation for the sake of securing Tunisia as a corridor for supplies and as an emergency exit.

The risks are not inconsiderable, for although the Vichy Government, under the skilful manipulation of Darlan and Pueh (the new Minister of the Interior) has become increasingly "collaborationist," the French populace has not forgotten the cold-blooded hostage horror, and sees new grounds for hope -- and therefore for resistance -- as it watches Moscow and Libya.

If Vichy were by any chance to resist new demands, there is not much that the Germans, under existing circumstances, could do about it, and the element of bluff is therefore present.

Already the German-controlled press and broadcasting stations of Occupied France are shouting that French honour demands that French North Africa be made secure against "Anglo-American aggression." Furthermore, the Germans, well aware that Darlan is convinced that Great Britain will herself take the first opportunity to negotiate with Germany at the expense of France and her Empire, have recently, it seems, been dropping lying hints that British peace feelers are already being transmitted to the Germans through certain neutral channels. The implication is obvious: put a deal over at once or you will be too late.

(b) Terror in Europe

As briefly mentioned in Guidance Notes No. 149 (section 3, paras (i) and (ii)), recent statements by responsible Nazi officials outline once again the aim of German domination in Europe and the methods by which it is to be attained. Dr. Seyss-Inquart, speaking on November 18, said that "independence is incompatible with the comradeship for which the Germans strive;" and Ribbentrop, eight days later in Berlin said: "the tank and the dive-bomber preclude the possibility of revolt in the disarmed territory."

Instituted by force, the New Order can only be sustained by force, and the following recent examples from the occupied countries show the trend rather than the extent of German ruthlessness.

(i) Czechoslovakia.

The Black Guard Group leader, Reinhard Heydrich, is justifying his title of the "Butcher" with a vengeance. Savage reprisals have been taken against Czech students. Some who were already in prison have been killed, while 8,000 have been sent to Germany for forced labour. Numerous executions for possession of arms and "economic sabotage" take place every day.

(ii) Poland.

On October 18, 20,000 Jews from the Reich were deported at 10 minutes' notice to Poland. The Gestapo is forcibly transferring 9 million Poles from the western provinces, which have been incorporated in the Reich, to the districts in Central Poland, while continual man-hunts in Central Poland secure forced labour to work in German factories. Eighty-two thousand people have been killed and dive-bombers seem to have been used to disperse the Polish guerillas.

(iii) Norway.

Prisons in Oslo and the surburbs are packed to the limit, and people are sent to the concentration camps for refusing to part with their tents, bedsheets, and blankets which the Germans need for their soldiers on the Russian Front. Executions for sabotage and mass arrests for economic disturbances are a regular feature of Terboven's rule in the country.

(iv) Holland.

The death penalty has been instituted for listening to B.B.C. broadcasts, and the people have been advised to eat raw food so that the Germans may take away the fuel. A forced loan has been instituted and heavy fines are imposed on an already starving population. The police have been ordered to fire on people who flock to the bakeries for food.

(v) Belgium.

Belgian patients have been moved out from hospitals in Brussels, Ghent and Antwerp and now lie in the streets to make room for German wounded from the Eastern Front.

(vi) France.

While there is a momentary lull in hostage-terrorism in France, Frenchmen are still being executed in considerable numbers for sabotage and possession of arms. Some 75,000 French labourers have been taken away to Germany "in order to banish unemployment in France."

(vii) Greece.

M. Tsouderos in a speech on September 26 spoke of bombed Greek cities, nineteen of which had been completely destroyed. In Crete villages have been plundered and burned, and refugees fleeing for safety have been murdered. People have been forced to dig their graves before being executed. It is known that a hundred thousand Greeks have been driven from Eastern Macedonia. Some 15,000 were killed, it was rep[illegible]d on November 26, when a motorised division exterminated 6 villages as a reprisal for the death of 19 Bulgarian soldiers.

(viii) Serbia.

The Germans are engaged in ruthless massacre in Serbia. At Karlovatz 700 men were shut up in cattle-trucks for 8 days without food and drink. At Banalika where 12,000 Serbians lived, not one is left today. In revenge for local sabotage the town of Dabec has been razed to the ground. The number of people massacred was estimated on October 12 to be about 340,000. The Stuka dive-bombers are playing havoc in Serbian towns. Uzici has been completely destroyed.

(ix) Croatia.

Continued massacres in Croatia by the Ustachi have led to a general exodus to Serbia where there are now half a million refugees.

M. Nintchitch, the Yugoslav Foreign Minister, said on November 24 that the Germans are trying to exterminate the whole Yugoslav race. The Germans have threatened to destroy Belgrade by shell-fire, it is said, as a reprisal for guerilla activity.

(x) Conclusion.

This growing German terrorism is a reflection of the failure to institute a New Order as a counter-programme to the Atlantic Charter. It is also the recognition of failure to keep up the pose of a Crusade against Russia. This pose has been made ridiculous by the Nazis themselves, who have appointed the fanatically anti-Christian Rosenberg as Minister for Eastern Occupied Territories.

2. LIBYA.

(a) Progress of the Battle.

The great battle in the Libyan desert is still at its height, but though deductions at present must remain tentative, and though some features of the fighting remain lost in the dust and smoke of desert warfare, the progress of the British Imperial offensive can justifiably be regarded as satisfactory.

This is a three-dimensional battle, and the tank fleets engaged have borrowed tactics normally employed on sea and in the air. But despite the peculiar difficulties of presenting any detailed picture of the operations thus far, the analysis attempted in Guidance Notes No. 149 (Section 1, paras (a) and (b)) may now be filled in as follows:

(i) The movement to Sidi Rezegh.

It is clear that the initial British attack was brilliantly executed, and that it achieved a complete tactical, though not strategical, surprise.

The first essential was to avoid a frontal assault on the maze of defence works, some five miles deep, extending from Sollum to Sidi Omar. The holding force was accordingly posted in front of this barrier, while the enveloping advance struck in behind Sidi Omar and worked northward to Fort Capuzzo and Bardia on the coast. Having thus isolated the Sollum-Omar defence zone and its garrison units, this force began to fight its way westward, taking the important German supply depot of Gambut and eventually reaching Sidi Rezegh.

(ii) Ancillary Operations.

Meanwhile, another armoured force, starting further south, described a much wider arc to the west and badly mauled an Italian armoured formation near Bir el Gobi and then bent northward to Sidi Rezegh. While these enveloping movements were taking place, the garrison of Tobruk, which had been reinforced by sea with men and tanks, sallied out and moved forward in a south-easterly direction, and has now joined hands with elements of the forces advancing north of Sidi Rezegh.

Finally, another column starting from Giarabub, about 130 miles south of Sollum, accomplished a remarkable feat by covering the 200 miles to the Oasis of Augila over rough desert tracks in approximately five days. Their subsequent capture of Gialo placed them in a good position to get astride the arterial road between Benghazi and Tripoli, and in this they have since succeeded.

The general strategic plan is not to drive the Axis forces out of Cyrenaica, but to cut them off in Cyrenaica and destroy them.

(b) From the German Viewpoint.

(i) "Offensive" and "Defensive".

In the light of this general plan, descriptions by commentators and in Cairo communiques of British and Imperial forces repelling fierce enemy attacks fall into proper perspective. It is we who are on the offensive. The task now confronting von Rommel is that of withdrawing westward in the effort to escape the net which has been drawn round the German Panzer divisions in the quadrilateral Sollum-Omar-Gobi-Tobruk.

The tightening of this ring has only been accomplished with heavy fighting in which, at various times and places, the offensive changed hands. Over so vast an area, the ring is still thinly held at several points, and it is too early to say that von Rommel may not be able to extricate some of his armoured forces. But the situation so soberly described from London and Cairo must look anything but promising to Berlin.

(ii) Von Rommel's Hopes.

It seems clear, moreover, that in the opening stages of the British offensive, the German command counted on being able to hold the attack, and with their formidable combined division of light and heavy cruiser tanks to knock out the British tank brigades one by one.

Had this proved possible (and the Germans have tried very hard indeed), the German raid over the Egyptian border would undoubtedly have proved to be more than an attempted diversion. If a German victory in the great tank-battle could still be achieved, leaving von Rommel with superiority in tanks, it would with almost equal certainty be followed by a German offensive. It is in this sense that the use of the terms "offensive" and "defensive", both broadly and as applied to isolated operations, should be understood.

3. RUSSIA.

(a) Operations.

(i) Moscow.

The great battle for Moscow, in which 49 German divisions and half the total German tank force is said to be engaged, still goes on. The Germans are exploiting the hardening of the ground by the severe November frosts and hoping to achieve their purpose before the heavy snows make tank movements difficult again. This year the snowfall has been delayed, a factor which is helping the Germans, just as the early onset of autumn weather helped the Russians in October.

M. Stalin's message of thanks to Lord Beaverbrook shows that British supplies are now reaching the Russians in considerable quantities. The Germans are now therefore engaged in a race both against snowfall and the increasing flow of British supplies.

(ii) Rostov.

The Russians have turned the tables on the Germans in the south in a publicity as well as a military sense, for the recapture of Rostov was published in a "special announcement" on Saturday, November 29. The Germans, for the first time in many weeks, have had no "special announcement" with a fanfare of trumpets, and are bound to find this Russian substitute singularly depressing two months after Hitler had announced that a decision had already been reached in Russia.

The recapture of Rostov follows Marshal Timoshenko's counter thrust which had already advanced 40 or 50 miles westward in the region north of Rostov. The retreat of the German forces to Taganrog relieves, for the time at any rate, the serious German threat to Russian communications between Moscow and the Caucasus. It shows that Marshal Timoshenko has succeeded in restoring a front in the south, and one which is capable of hard hitting. The recapture of Rostov is likely, in addition, to have a most heartening effect on the whole Russian army, so long used to stubborn resistance against odds and to difficult retreats. It is a much more important success than the recovery of Yelnia near Smolensk, in the late summer and obtained very much more quickly. It will serve to convince the Russian troops that they can, when the time comes, give the Germans blows as hard as any they have received.

(b) The Finnish Question.

The adhesion of Finland to the anti-Comintern Pact has further widened the breach between Finland and the Democracies. Her uneasy conscience is revealed in statements both by M. Rangell, the Prime Minister, and Marshal Mannerheim, the Finnish Commander-in-Chief. Marshal Mannerheim, who represents military and conservative Finland, said that she wanted no imperialist war, but was fighting for the security of her frontiers. M. Rangell hinted that this security mirage might carry the Finns beyond their old frontiers, and so revealed in a flash why Russian readiness for negotiation and American mediation have proved fruitless. In a burst of self-pity, the Premier disclosed Finnish alarm at American disapproval by saying that it was "very bitter" to see that America had adopted the Russian viewpoint.

All this suggests that the Finns do not like the course they are pursuing and that they see grave dangers looming ahead; but they are tied and bound to the German chariot wheels. Whether they like it or not, they are running the German course -- as they hope, with increasing doubts, to victory, and as they fear, with increasing conviction, to disaster.

A declaration by Britain of war on Finland would be logical in the circumstances; but if it comes it will have no direct military significance, any more than a similar declaration against Hungary or Rumania. It will be simply a demonstration that we are solidly behind our Russian ally, and that in this war, which is indivisible, those who fight our friends fight us.

4. JAPAN.

General Guidance.

The course of the negotiations in Washington at the present moment is necessarily obscure, and no comment would be useful except to reiterate that Britain will stand resolutely beside America in any action which intransigeant Japanese aggression may force her to take.

Whether there is to be war or peace in the Pacific depends upon Japan. We prefer peace, but if Japan, egged on by Germany, wants war, she can have it. The A.B.C.D. Front is ready.

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HUNDRED-FIFTY-FIRST BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED DECEMBER 6, 1941.

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POLICY

1. Reported Vichy concessions to Germany in Africa should be interpreted as proof of German alarm over issue of Libyan battle. Avoid mention of Weygand at present.

2. In Libya Empire forces retain numerical superiority in tanks, air supremacy and command of sea. Hard fighting will secure in due time destruction of enemy armoured forces.

3. Japanese hesitation should be shown as result of Allied defence and firm diplomacy, but there is no sign that Japan contemplates abandonment of long-term expansionist policy.

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1. NORTH AFRICA.

(a) Libyan Offensive.

(i) Temporary Lull.

After heavy fighting in Libya in the last few days, the intensity of the battle has now somewhat slackened because, presumably, both sides find need for refitting and regrouping. A temporary deterioration in the weather is also reported, and a factor tending to restrict movement is the bright moonlight which, for both combatants, reduces the element of surprise.

(ii) Methodical Reduction.

Enemy armoured formations, now mainly concentrated in the El Adem-Sidi Rezegh area, have been severely strafed by the R.A.F. It is pointed out in London that one advantage for us in having the enemy's armoured forces thus concentrated is that the enemy's original frontier defence-line -- Bardia-Sollum-Sidi Omar -- is deprived of tank support which would have made it far harder to reduce. The process of reduction is being gradually carried out from the south of Sidi Omar northwards.

Moreover, we are also clearing up various areas on this extensive battlefront. We still hold El Dud, and patrols from there have destroyed some enemy guns and been operating against enemy communications west of Akroma, which in turn is west of Tobruk.

(iii) The gap at Tobruk.

The forcing of a gap in the line of British junction with Tobruk, in the face of very gallant defence by the outnumbered New Zealanders, was an undertaking of importance to Von Rommel, whose position on Monday (December 1) after the defeat of his first attack on the Tobruk -Sidi Rezegh corridor, was that his 15th Panzer Division and a strong force of motorised infantry lay west of the corridor, while his 21st Panzer Division and remnants of Italian armoured forces lay to the east.

The chief weight of the German attack came from the west, and it resulted in a cutting of the corridor and a junction of the enemy's armoured divisions. This, while it must prolong the stubborn desert battle, can be considered only a temporary set-back.

(iv) Sixteen Days' Work.

"The centre of gravity", said Major Lewis Hastings in a B.B.C. commentary on December 3, "shifts continually", but a striking feature of the operations is that they are still taking place within the strategic framework designed by General Cunningham. The struggle is still conditioned by the aims of the British advance at the beginning of the attack.

"These were to outflank and paralyse the whole frontal defensive system of the Axis and to force battle within the area bounded by these defences and the Tobruk sally."

In only 16 days a great deal has been achieved.

1. General Rommel has lost his advance supply bases and aerodromes.
2. His offensive power has been seriously impaired.
3. His strong posts between Sidi Omar and Sollum are being reduced, and many of his coastal defences are isolated.

(v) Conclusion.

These successes have not been achieved without very hard fighting, nor was it ever expected that they would be. General Von Rommel is known as a personal friend of Hitler and a fanatical Nazi, and it is probable that he has received orders to fight to the last bullet and the last drop of petrol. Outflanked as he has been, he has, indeed, no alternative between such a course and capitulation.

The peculiar nature of desert tank-warfare, however, is such that (as at sea) an advantage of armament and numbers can be contrived at particular points by even a hard-pressed enemy who can alter his local dispositions under cover of darkness. This operates in places to the benefit of a concentrated defending force where, as in this case, it is virtually surrounded by forces disposed over a very wide area.

As soon as the weather clears the battle will flare up again, and unless the Axis can successfully run the British aerial, naval and land blockades von Rommel's resistance must find a limit. His supplies and reinforcements are all important, and it is good news that an Axis tanker which tried to get about 10,000 tons of oil to Sollum, was sunk with its escort without loss to ourselves.

(b) Composition of the Allied Forces.

(i) Enemy Falsehoods.

There has been a violent recrudescence of blatantly false Axis propaganda on the use of Indian and Dominion troops and of their casualties suffered. The purpose behind this propaganda campaign was naively revealed on November 26 in a Hindustani broadcast from Berlin which remarked: "It will be a substantial help to the Axis if India refrains from rendering any assistance in men and material to Britain." The implied compliment to India's fighting men will no doubt be accepted.

Nevertheless facts are available which expose the complete falsehood of this Axis line of attack. It has been stated by the Ministry of Information that 70% of the forces engaged in the Libyan offensive are United Kingdom troops. The armoured striking force which bears the brunt of the great tank battle is entirely of United Kingdom composition.

(ii) The Casualty Index.

It is the British practice to announce casualties in full as soon as accurate figures are available, and the next of kin are invariably informed at the earliest moment. In contrast with this, German casualty announcements are made irregularly and without any detail. Casualty announcements in the German newspapers are now rationed, no newspaper being allowed to print more than 25 obituary notices per day.

The last general survey of figures for British and Empire casualties was made by Lord Croft in a speech on October 18 last. British casualties on all fronts including prisoners had been up to that date 100,000 in round figures. Indian casualties on all fronts were 7,000. Dominion casualties were 20,000, out of which 13,000 were Australian, 6,000 New Zealanders and 600 South Africans.

The total of British troops engaged in all operations since the start of the war, said Lord Croft, was five times the combined total of Australian, New Zealand and South African forces.

Typical of the German fabrications is the renewed allegation that Indian troops were sacrificed in heavy numbers in Greece and Crete. In fact no Indian troops were engaged in either Greece or Crete.

(c) Vichy Concessions to Berlin.

(i) Vichy's Subservience.

Germany's anxiety as to the fate of the Axis forces in Libya is strikingly illustrated by her attempts to quicken the pace of her infiltration into French North Africa and of the negotiations which have been proceeding for some time for further substantial concessions from Vichy,

First reports of the discussions between Petain and Darlan on the one side and Goering on the other suggest that the Germans have not got all for which they probably asked. The use of the French fleet, it would appear, is still denied them; and German control of French West Africa (with its inevitable reaction in Washington) is to be camouflaged as far as possible by describing this area as "a zone of Franco-Spanish defence", supplied with German war-material and "military assistance" - presumably on the pattern experienced by Rumania.

Nevertheless the reported handing over to Germany of air and naval bases in French North Africa is not only an important surrender in itself, but one which may be used to extort further advantages by the well-known German methods.

(ii) Vichy's Reward.

Vichy's reward for these far-reaching concessions seems to be insignificant, for so far as the promise of the release of a certain number of her war-prisoners is concerned, it is clear that Germany does not intend to part with the young French prisoners who are so vital to her war-production. The Saigon Radio reported on November 30, that the 10,000 prisoners so far released by Germany were all old men who had fought in the last war. A slight reduction in the costs of the occupation army is also a nominal concession considering that the Germans are already masters of almost the whole of French finance, industry and agriculture.

(iii) Axis Advantages.

To the Axis the occupation of Bizerta's excellent harbour would mean the shortening of their supply line from Sicily to Libya; it would also afford a valuable base for Italian naval units and German submarines on the North African coast. Similarly from the bases of Algiers and Oran the enemy's navy and aircraft could greatly increase the responsibilities of the R.A.F. and the British Mediterranean Fleet.

(iv) Effect on Britain.

The effect of such a situation in North Africa on Britain would be to stiffen drastically her attitude to these French possessions on the Mediterranean coast. Already the territories of Morocco, Algiers and Tunis are for purposes of contraband control considered as enemy country; in face of this new piece of collaboration air-raids and even naval bombardment on a considerable scale of these bases may justifiably be expected. It will be remembered that on May 28, the R.A.F. bombed the French African harbour of Sfax when Italian escort vessels were reported to be lying in the Tunisian waters.

(v) Effect on the U.S.A.

It is improbable that Washington would regard the establishment of effective German control over West African bases such as Dakar, even if it were camouflaged as being any more tolerable than German control of Iceland. Weygand's dismissal has already resulted in the stoppage of United States' aid to North Africa and has caused the extension of Lease and Lend facilities to General de Gaulle. The dispatch of an United States' army contingent to Dutch Guiana to forestall an Axis seizure of the bauxite mines, and the policy of extreme wariness as regard to the Vichy possessions of Martinique and Guadeloupe, show that the United States is becoming increasingly vigilant for the safety of the two Americas.

(vi) Vichy's African Forces.

Vichy's acquiesence in this surrender rules out, automatically the question of organised opposition to German domination on the part of the Vichy military forces in Africa. Moreover, General Huntziger had already before his death completed the demobilisation of the units and services in Vichy Africa, and had handed over the arms and material to the German Armistice Commissions. The formation of a new and smaller volunteer army under the Armistice terms has been impeded by several factors, some of them no doubt deliberate.

2. <u>RUSSIA</u>.

(a) <u>Operations.</u>

(i) General.

The course of Russian operations still gives ground for guarded optimism, though we should beware of underestimating the seriousness of the general situation. Recent news shows that the Russians are not only able to continue their stonewalling tactics of defence, but have been able to use the respite afforded by the autumn weather to gather strength for a counter-stroke. This, coming after a long series of retreats, is bound to have a very heartening effect upon the whole Russian army.

(ii) Rostov.

The Russian advance has now passed Taganrog and is pressing on towards Mariupol. It seems clear that the German withdrawal is disordered, but it is doubtful if it can be called a rout. If so, the booty captured would be greater and the advance quicker. Rather, there are probably a series of rearguard actions, more or less confused, behind which the Germans are moving as fast as they can while looking for the earliest opportunity to re-form and throw in fresh troops. It is much too early yet to speak of any Russian threat to the Germans in the Crimea, but it is certainly possible that the Germans will have to divert troops from there to stem the Russian advance. This would relieve the pressure on Sebastopol. A crossing of the Kerch straits is not now likely to be attempted. The Rostov victory is the most considerable Russian success so far and has definitely postponed, for some time to come, a German threat to the Caucasus.

(iii) Moscow.

The German attack on Moscow has by no means ceased, but the most dangerous pincer-points, at Klin and Stalingorsk and Tula, seem to have been blunted. The present position seems to be that the Germans have passed to the defensive to the north and south of Moscow, while they continue to attack heavily to the west of the city, on the line Volokolamsk-Mojaisk-Malo-Yaroslavetz.

The north-south lull may be merely a breathing space for bringing up more troops, but the period of the offensive will very possibly be set by the arrival of the heavy snows, which this year have been delayed. Heavy falls have just been reported at Kalinin, which may be the prelude to falls elsewhere.

(b) German Radio in Difficulties.

The Germans have revealed their own anxieties about recent developments in their news bulletins. At first the Russian attacks at Rostov were all repulsed with astronomical losses. Then the centre of Rostov was evacuated because "the Russians went so far as to instigate the population of Rostov to fight in the rear of German troops". Rostov was to be punished for this by a fate worse than Warsaw. The next day Rostov had been evacuated "according to plan". On December 2 the Russians were said to have continued their counter-attacks "regardless of losses", but it was not stated that these counter-attacks had been repulsed. The German bulletin of December 1 broadcast on December 2, shows the Germans as on the defensive at Leningrad as well as Rostov and does not mention Moscow. To cover up the Rostov defeat the German radio has in general been re-emphasising the importance of the Moscow fighting; a few weeks ago, when Moscow failed to fall as expected, it was the south which the Germans claimed to be the vital region.

3. JAPAN.

(a) The Week-End Crisis.

(i) Tension eased.

Tension in the Far East, having apparently reached breaking-point last week-end, has now relaxed a little. This welcome development, however, should not induce any easy optimism, that the crisis is over, or that the U.S.-Japanese problem has been solved. It may merely indicate the temporary recession of an advancing tide before the next wave crosses the limit which divides peace from war.

(ii) Apparent Japanese Determination.

Mr. Cordell Hull's message to Japan on November, 26, brought from General Tojo on November 29 a statement that "East Asia must be purged of Anglo-American interference.." (Tokyo has made every effort to prevent the full text of this speech being known outside Japan). Admiral Togo on November 30 at an "East Asia Banquet," said that the U.S.A. was likely "to refuse to understand present Asiatic conditions," and to attempt to apply "fantastic principles inconsistent with the present world state." It seemed that intransigeance could go no further, and when it was known in Washington, as revealed by Mr. Raymond Gram Swing, that America had refused to consider a "standstill agreement" with Japan after consulting the other A.B.C.D. powers, there seemed to be no alternative left between a most unlikely Japanese climb-down and war.

(iii) Japanese Nerves.

But further information has shown that once again Japanese statements are not to be taken at their face value. It was not America who proposed a standstill agreement, but America who, in the person of Mr. Cordell Hull, declined to entertain the idea. It was also reported that Japan had been offered help by Germany in February if she could postpone a crisis until then. In other words, what has been passing in the last few days has not been an attempt by America to buy off Japan a little longer, but an attempt by Japan to stave off a little longer the nemesis of conflict with the A.B.C.D. front towards which her policy has been steadily leading her.

In spite of what amounts to a rebuff to Japan, it is said that conversations will be continued until "the last minute". Even the failure of the talks said Mr. Ishii on December 4, will not mean the immediate outbreak of hostilities.

(b) Reasons for Japanese Hesitation.

The reason for this failure of Japan's fire-eaters to perform the much advertised trick are probably several.

(i) The arrival of heavy units of the British fleet (including the "Prince of Wales") at Singapore makes any sudden descent on the East Indies, Borneo or Thailand much more difficult and hazardous. Thailand of course, can be attacked by land, but a naval landing in the Gulf of Siam which might have taken Bangkok in the rear, owing to the weakness of the Thai navy, will now be very hazardous.

(ii) The early assembly of an "Eagle Squadron" of American volunteer pilots in China will make a Japanese attack on the Burma road far more difficult, for China's chief weakness is in the air. Besides sending volunteers America is training Chinese pilots at the rate of 50 a week.

(iii) Japan is obviously afraid of American action, and she does not yet know exactly when and where America will move. President Roosevelt has just indicated his special interest in Thailand, and in Japanese troop movements in Indo-China. It is clear that the least action which America would take in the event of a Japanese attack on Thailand would be a complete blockade of Japan, which Japan is in no position to face.

(c) Conclusion.

It may be suggested that Japan has really been trying, by all diplomatic means at her command, to drive a wedge into the A.B.C.D. front as a prelude to easy aggression. The wedge having failed to find any crack, aggression is losing its glitter.
But there always remains the possibility that, rather than admit the failure of their paper imperialism Japan's militarists will take the fatal plunge into war on the principle borrowed from Nazism that if they must go down, they will drag the whole Japanese Empire with them.

4. WHEAT AND WAR.

Facts and Contrasts.

(a) Position of the Opposed Powers.

(i) Britain.

Mr. Hudson, the Minister for Agriculture, forecast in September 1941, a record harvest. Chief among the factors that have helped British agriculture have been the mobilization of the Women's Land Army, and the increase in acreage under the plough, roughly four million acres since the war began. Lord Woolton chimed in with the above sentiments when about the same time he said "our greatest safeguard is bread" and later added that Britain has bigger stocks of wheat than ever before in the history of the country. In the wreckage of the most terrific blitz not a single town ever went short of bread.

On November 12 Mr. Churchill summed up the position. While the food situation in general gave good ground for reasonable optimism, the corn harvest of this year is 50% greater than in 1939. What has secured England's grain position and exploded Axis propaganda is the special step taken by the Ministry of Food for putting through "the biggest warehousing scheme in the world." Every kind of building has been skilfully adapated for stocking food which in peacetime used to be stored in warehouses in the ports.

(ii) Canada

The Dominion Bureau of Statistics at Ottawa recently estimated that the total carry-over of wheat this year is by far the largest amount ever carried over from one crop year to the next. This year's figure exceeded the previous year's by 179, 610,226 bushels. The Canadian Prime Minister announced in the beginning of November that farmers were to be compensated by supplementary bonuses on grain to prairie grain growers, and the payment of transport costs of feeding grain from the West to points in the Eastern provinces.

(iii) Australia.

The official forecast of the wheat crop predicts a yield of 5% above average and at least 80% above that of 1940-41. Labour under Mr. Curtin's dynamic leadership has left little for haphazard though well-meaning individual initiative. Everything has come under the purview of comprehensive social legislation. The wheat in excess of local requirements in 1941-42 season is 125 million bushels comprising 100 million bushels surplus from the new harvest now reaped; and 25 million bushels carried over from the 1940-41 harvest. A consignment of 16,000 tons of wheat is soon to be despatched to India to help in relieving the disturbances of speculation and maldistribution.

(iv) The U.S.A.

Mr. Claude Wickard, U.S. Secretary for Food, has aptly summed up America's attitude towards food: "Food will win the war and write the peace." On Oct. 9, Mr. Wickard said that America would "furnish the amount of food necessary to take care of about one fourth of the population of Britain."

To achieve this a drastic scheme of agricultural reorganization has been put through and the "ever normal granary for the ever normal food supply" is rapidly assuming substance. The U.S. now has 400 million bushels of wheat carried over from last year. This year's crop, the fifth largest in history, will add 913 million bushels more to the carry-over.

(v) Germany.

Europe's food-producing areas have suffered seriously and in several ways. The war has drained off many farm workers; mass flights of refugees, and waves of Nazi-compelled migration, have drained off thousands more. Bombs, battles, defensive inundation have devastated acres of crops, tons of stores.

As the Nazi jack-boot tramps across Europe, the rigid Nazi system of food priorities is ruthlessly enforced. The Army first, then skilled

workmen in Germany.
/ German civilians, then the new subjects of the Nazis, with prisoners, the insane, Poles and Jews at the bottom of the list. The most authoritative pronouncement regarding the German harvest was made by Dr. Darre the Minister of Agriculture in August last year. He said that the German harvest "is only 2% below normal but Germany's bread supply is secured for a long period."

(vi) Occupied Europe.

The manner in which "Germany's bread supply is secured" may be judged from the following examples:

The Volkrecht (Switzerland) of September 1940 reported that fields of wheat in France are reserved for the Germans by swastika signs. About 300,000 tons of wheat were removed to Germany from Occupied France.

Dr. Dalton stated in the House of Commons (2.8.40) that Norway had in hand a year's supply of cereals and there was no doubt a large part of the stocks had been removed to Germany. A subsequent announcement that German Military authorities had "bought" the grain confirmed the suspicion.

"All grain for the whole of Europe has to go to Germany to be appointed to the various countries. During the transaction the white flour manages to stay behind in Germany." (John Raynor, B.B.C. talk, 30.11.41).

In Rumania, one of the greatest wheat-producing countries in Europe, food is rationed and since May of this year bread riots have been frequent.

In April this year Germany fathered wheat agreements between Russia and Norway, and between Russia and Belgium. This blatent piece of cynicism was undertaken to keep the hungry quiet. In June Germany declared war on Russia.

While the number of grammes of bread permitted for the members of the Greater Reich is higher than that allowed in Belgium, Netherlands, Denmark, Poland and the Protectorate of Bohemia and Moravia, it is less than the figure allotted for people in France and Norway.

(b) Practice and Policy.

(i) German Exploitation.

Not only does Germany plunder ruthlessly in the Occupied Countries and use food-shortage as a weapon of domination. She has also found the subject of value in propaganda of the most cynical and often self-contradictory kind.

To distant countries she harps on her unlimited reserves, as in a German broadcast to S. America: "Enormous reserve stocks of all essential foodstuffs exist in Germany". At the same time she recently made a public declaration that she was not obliged to see to the feeding of the people who were the victims of her power. In almost the same breath she dismisses the British blockade as entirely ineffective and condemns it (for American listeners) as inhuman. The Dutch, laments Dr. Goebbels, are being starved by Britain, yet "many lines of produce are being sent to Germany from the Low Countries" (Zeesen broadcast, December 1940).

It will be remembered that the Germans are adepts at converting foodstuffs into materials for armaments. Maize and potatoes can be converted into power alcohol and acetone, beans into casein for plastics, fats into glycerine (for explosives) and varnish.

(ii) Anglo-American Storage.

In July of this year an International Wheat Conference was held in Washington. Mr. Welles said that in another year wheat surpluses totalling 1½ billion bushels will hang over the international markets; something more than talk is necessary to give the soldiers of peace full stomachs.

The U.S. Government would suggest for all governments to ponder over and give effect to the following points. Price-pegging of all major crops; accumulation of surpluses; government encouragement of "basic crops". The goal for each government is more consumption for the eventual establishment of a higher international standard of living.

Mr. Hull added that it would be the responsibility of the Allies to banish the spectre of want and starvation from the countries ravaged by war in the peace that is to come.

(iii) India and the Middle East.

As mentioned above, two steamers have been allocated to bring to India 16,000 tons of Australian wheat, which will fully replace the 15,659 tons of Indian wheat shipped urgently to Iran, where the ill-conceived policy of the former autocratic government had caused widespread wheat-shortage and acute distress.

At the same time the Government of India, by preventing wheat prices from soaring above their already abnormal level, are endeavouring to check the bullish tendency in the market caused by irresponsible speculation.

It should be reiterated that India has not been the only, nor indeed the chief exporter of wheat to relieve acute shortage in Middle Eastern countries. More wheat has been sent from Australia and North America than from India, and in the case of Iran Russia also has played her part. The choice of India to meet the most immediate needs was due to her geographical position and to questions of speed and shipping facilities.

The British Food Ministry, at the Indian Government's request, has now decided not to purchase any more wheat in India this year. The appointment of a wheat controller is under active consideration by the Government of India.

(iv) Empire Troops Abroad.

The following facts appear to be insufficiently known.

1. It is not only rations for Indian troops in the Middle East that are provided from the food resources of India. These indigenous items of foodstuff are what the troops would normally consume in this country. Their export therefore has no effect on supply questions or market-rates in India.

2. The cost not only ~~only~~ of these rations but of all rations despatched to theatres of war is debitable to His Majesty's Government, and is not paid by the Indian public, but by the most heavily-taxed people in the world, the British.

3. Australia continues to despatch food for both the British and Dominion troops in the Middle East, and no differences have ever arisen in this respect.

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CONFINDENTIAL

HUNDRED-FIFTY-SECOND BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED DECEMBER 9, 1941.

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It is recommended that these notes be filed for record, as reference to previous notes saves time, paper and repetition.

POLICY

1. Japanese attack on Britain and U.S.A. together reveals failure to drive wedge between these Powers and anxiety to gain strategical advantages before it is too late.

2. All unofficial reports of Far Eastern operations should be treated with caution and it should be realised that surprise attack may give Japan some early successes.

3. Stress long-term view that Japanese aggression has riveted great alliance of democratic powers whose resources and determination must finally bring victory. Wisdom of preparing to defend India in depth on both flanks is now clearly seen.

4. In Libya and South Russia Germans are hard-pressed. Without anticipating easy or immediate successes show importance of forcing hitherto victorious enemy on to defensive.

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1. JAPAN.

(a) Japan Takes the Plunge.

(i) Deliberate Attack.

Faithful not only to Nazi example but to her own black record in international conduct, Japan has not in the accepted sense "declared war" on the U.S.A. and Great Britain. No ultimatum was issued. No reply has apparently been made to President's Roosevelt's exceptional gesture of a personal appeal to the Japanese Emperor to reconsider matters on humanitarian grounds before it was too late. Instead, having already moved her forces to positions for a surprise attack, the Japanese High Command (not the Imperial Government) announces that Japan has "entered a state of war with the United States and Britain in the Western Pacific" as from dawn on December 7.

(ii) The Eight Months' Talks.

This is the cynical and treacherous climax to the eight months of discussions in Washington.

President Roosevelt's blunt inquiry on the subject of Japanese troop-movements in Indo-China was not an ultimatum. It was an affirmation of the position which the American Government has unswervingly maintained. Since early spring this year Washington has been exploring the possibilities of securing a general settlement with Japan in the Pacific and the Far East, but never at any stage has there been the faintest trace on the part of the President or any of his colleagues of a compromise on basic principles. For that reason there has never been any question of free China being either abandoned or "sold down the river".

Since it was hardly conceivable that Japan, on her side, would be prepared to back down on primary issues by agreeing, for example, to a total withdrawal of her armies from China, a comprehensive solution of the crisis appeared to be virtually ruled out from the beginning. It has seemed apparent to all informed observers that at the most a basis might possibly be found for a provisional and partial adjustment on some such lines as that Japan should agree, in return for concrete concessions (such as the easing of the economic embargo), to forego fresh moves of aggression and withdraw from the furthest strategic point to which she had recently advanced. Moreover, it would be essential that no clause or stipulation in any such arrangement should prejudice China's struggle for independence.

That even a partial agreement, however much desired by certain sections in Japan, would have been unacceptable to her insatiable militarists, is now abundantly clear. President Roosevelt's reference to the "unlimited patience" of American policy has been justified.

(iii) Meaning of the Declaration.

Japan's deliberate entry into war with Britain and America simultaneously reveals unmistakably the failure of her diplomatic endeavours to drive a wedge between these two Powers.

Its greatest significance is the obvious one: the war in both hemispheres has become one war, and America is in it. For purposes of German propaganda, especially for the anxious home front, this will no doubt be dressed up as a diversion of American energy away from Germany's immediate struggle. But the consequences of Tokyo's rash plunge are incalculable. The stark reality of American intervention stares the Axis powers in the face at last.

Unquestionably the Japanese action has added to the load of suffering which the human race must bear before Axis aggression is finally thrown back and the possibility of its recurrence removed. It is to be expected also that the method of surprise attack which she has adopted may gain her initial successes. These, as and when they may occur, should not afford occasion for undue depression. For in flinging this final and brutal challenge to the free nations of the world Japan has given evidence that the sands are running out for the aggressors. She has challenged forces, both spiritual and material, which in the ultimate event are unconquerable. And in so doing she has welded those forces into a mighty alliance. She has hammered home the first and last lesson which the forward-looking nations have so slowly and so painfully been learning -- the lesson that unity is strength. In India, as elsewhere, this final warning will not go unheeded.

(iv) <u>Avoiding Russia</u>.

"During the last few months", wrote <u>Reuter</u>'s correspondent at Singapore recently, "much publicity has been given to Japanese preparations in Indo-China for an advance in her southward expansion, but reliable reports maintain that Japanese preparations for a possible drive into Siberia, though very little publicised, have been every bit as thorough, if not more so. Among other things it is known that Japan has constructed thousands of monster snow-sleighs designed to be towed, laden with troops and equipment, across the frozen wastes."

Russian reactions to the Japanese move against Britain and the U.S.A. have not yet been reported. But it is significant that Japan has not succumbed to German pressure so far as to attack the U.S.S.R. The Japanese Government was formed in October for the purpose of taking advantage of the expected fall of Moscow. But in December Moscow is still uncaptured and fighting back. Moreover Vladivostok is now in the grip of winter -- and Japanese cities, for the most part flimsily constructed, are within Russian bombing-range.

(b) <u>Strategical Implications</u>.

No accurate estimate of operations can be made from the news which has poured in from widely separated points in the first few hours of the Japanese attack. But it is clear that a primary Japanese aim is to preclude, or at least reduce, the possibility of American opposition to her further designs on the east Asiatic mainland by surprise attacks upon the chain of U.S. bases in the Pacific. The wedge which she failed to drive diplomatically between Britain and the U.S.A. she now hopes to drive by belligerent operations, so as to cut off her intended victims from the combined aid of the naval powers.

(i) American Bases.

The defence of the U.S. western coasts and Alaska is based on a wide triangle of naval and air bases, strategically disposed by nature but separately not invulnerable to surprise attack by heavy forces.

The apex of this triangle is Pearl Harbour in Hawaii, the main American naval base in the Pacific away from the mainland. The distance from San Francisco to Pearl Harbour is 2,098 miles. Since the coral bar across Pearl Harbour has been removed, and the harbour has been cleared and dredged, it can now accommodate the whole American Fleet. It has a navy yard with full facilities for repair, a 1,000 foot dry dock, fuel and munition depots. On the island of Oahu, where Pearl Harbour is situated, there are considerable airfields and the aerodrome at Kaneshe has been improved to take in 5 squadrons of long range bombers. It will be recalled that since May the U.S. have kept their main fleet there, allowing only one-third to return to mainland bases at any one time for major alteration and repairs.

In the Western Pacific the U.S. own refuelling stations at Wake Island and Guam. Wake Island is about halfway between Midway Island and Guam. Since October 1940 extensive defensive works have been undertaken at both these places. Guam has nearly £2,000,000 allotted to her for adding to her facilities for naval operations. The order which created "defensive sea areas", and "air space reservation" were skilled pieces of anticipation taken by the U.S. Navy as far back as February 1941.

The Philippines are still under American sovereignty. Manila is defended by the fortress of Corregador and by batteries erected on islands in the approaches to Manila. At Cavite Bay there are fuel and ammunition depots, marine barracks etc. During the past year U.S. forces in the Philippines have been reinforced by the arrival of submarines and bombers. The Philippines are separated from the central American naval base at Pearl Harbour by the screen of the Japanese Mandated islands.

The full-scale strengthening of America's Pacific defences is a comparatively recent move and is certainly not yet complete. The enemy action seems based on the assumption that in another six months the state of American preparations would doom finally the prospects for Japanese expansion.

(ii) Malaya and Thailand.

The original Japanese object in the landing effected near Kelantang in Northern Malaya may have been to push the Imperial forces south of the Thai border in order then to threaten Thailand from two sides -- Indo-China in the east, and the Kra peninsula in the south. If their plans include an attempted advance through Malaya towards Singapore, the Thai capitulation will have made their task easier.

The Indian troops who form the majority of the garrison of Malaya (says a despatch from an Indian Army Observer in the Far East), together with British, Australian and Malaya comrades, are barring the way on every possible invasion route. Singapore is the vital bastion of India's eastern defences.

On the eastern coasts where there are gently shelving beaches, there are clearly offered opportunities for amphibious operations and this is especially likely in view of the Japanese experience in China. Two years of preparations on our side for just such an emergency as has now arisen have been completed.

Indian troops are also to be found on the North Western frontier, where excellent roads and railways render invasion through Thailand possible, if costly. In the island fortress itself, there are also Indian units. Indian troops are equipped to modern battle standards and are plentifully armed with quick-firing weapons, while retaining all their traditional aptitude for warfare in hilly or mountainous country. Jungle warfare is now almost an Indian speciality, based mainly on West African bush warfare and developed for the special conditions of Malaya.

2. <u>MEDITERRANEAN THEATRE.</u>

(a) <u>Libyan Offensive</u>.

"Considerable activity in the area between El Adem and Bir el Gobi," reported in the Cairo communique of December 7, indicates that the lull in the great battle has ended.

If Rommel is able to maintain the junction of his forces explained in Guidance Notes No. 151 (Part I, para (a) (iii)), he will have extricated himself from a very tight corner and a running fight may develop westwards through El Adem.

While fresh tank supplies and reinforcements are coming up from Egypt the Axis forces are dependent on a single line of communication with their base which is imminently threatened. All their coastal depots are exposed to the guns of the British Navy, and British air supremacy is working havoc among troops and transport movements.

These long-term factors, together with our tank superiority, make it possible to say that the final result is not in doubt.

(b) <u>Italian Reactions.</u>

(i) Tension in Italy.

From the excited and often incoherent tone of Italian Press and broadcast comments it is evident that the British offensive has created a profound impression, and there are signs of nervousness as to its possible effects on the already faltering morale of the nation. This deduction is borne out by several observers. It has been learnt from a reliable report that the Italian people are following events "with great tension" and that a British victory would create great difficulties for the Fascist regime, especially at a moment when Germany has her hands full in Russia.

The Rome Correspondent of a Swedish newspaper has gone so far as to declare that the "offensive is undoubtedly most dangerous and therefore Vichy's attitude is vital. Recently the French Armistice Commission in Rome has been having repeated long contacts with the Italian Government .... Libya cannot be successfully defended unless Tunis is more than safe."

(ii) What it Means to Germany.

This estimate does not imply that a victory in Libya would be followed by a successful revolt against Mussolini, but it does mean that Germany would be compelled to tighten her grip by diverting large forces, which could ill be spared, to hold down the country.

Transfers of local police officials and civilians from Sicily to the mainland are thought to be due to doubts as to how they would behave in the event of a British landing. There has, it seems, been considerable anger and discontent at the failure of the Italian anti-aircraft defences to cope with British raids over Sicily and South Italy and this failure, coupled with the annihilation on November 9, of a convoy which (it is understood) was carrying 6,000 German and Italian troops and supplies to Libya, is said to have been the principal cause of General Pricolo's resignation from his post of Under Secretary for Air and Chief of Staff of the Air Force.

The Iberian Peninsula became Napoleon's "running sore;" a time may come when the Italian peninsula will drain away the resources of Germany.

(c) Malta.

(i) Strategic Importance.

Ninety-five square miles (with Gozo and Comino, 122 sq. miles), of British territory in the middle of Mare Nostrum have proved their value in war no less than in peace. In peace, Malta is one of the most important ports of call in the world, clearing some 4½ million tons of shipping annually. In war, its position roughly midway between the British naval bases of Gibraltar and Alexandria (991 and 820 miles respectively) makes the island an important link in the chain with which the Royal Navy girdles the world, keeping the sea routes open for neutral as well as Allied shipping.

(ii) A New Factor - Air Power.

The development of air power and the entry of Italy into the war inevitably changed the shape of Malta in the mosaic of British strategy. Squadrons of the Regia Aeronautica based in Sicily could bomb Malta within 20 minutes of taking off. In these circumstances, naval activity at Malta was considerably restricted and the Grand Harbour at Valetta was reduced to the status of an emergency haven for vessels requiring "first aid" repairs. Last January, for instance, the Illustrious - after a 12-hours' continuous dive-bomber blitz - underwent emergency repairs at Malta, then sailed to Alexandria under her own power and later reappeared in an American navy yard for a thorough overhaul. But for Malta, and the protection afforded to ships in dock by the fighter and anti-aircraft defences, the Illustrious might not have been in service now.

(iii) Forward Air Base.

Air power has been Malta's opportunity as well as her danger. Any Axis supply ships sailing through the Central Mediterranean to Libya must pass within 200 miles of the island. Fleet Air Arm planes based here have taken heavy toll of Rommel's supply and transport convoys.

Just as the proximity of Sicily was Malta's danger, so, with the heavy reinforcement of the R.A.F. Middle East Command the proximity of Malta has in recent months proved to be Sicily's danger. Messina, Palermo, Trapani, Marsala, Licata, Ragusa, Syracuse, Catania, Gerbini, Comiso ... those names have appeared with monotonous regularity in R.A.F. communiques. Most of them are fighter, bomber or seaplane bases, from which Axis planes were wont to attack British ships or provide aerial escort for their own.

Naples and Brindisi - two embarkation ports of major importance to the Axis in the Libyan campaign - have been heavily attacked in recent weeks. They are 900 and 800 miles respectively from Mersa Matruh, but only 350 and 380 miles respectively from Malta. The advantage of using Malta as an air base is patent.

(iv) Rocklike Defence.

Possession of Malta would be worth several Cretes to the Axis. In eighteen months German and Italian planes have made 1,000 sorties against the island. Their losses in machines run well into three figures, their losses in men to four. Some 500 civilians have been killed, a similar number seriously injured and more than 3,000 houses have been damaged. But Malta's courageous quarter of a million people have stood as firm as the rock in which they have tunnelled their air raid shelters. Just two months ago the Italian newspaper Stampa had to admit that the island was like a big cruiser, ready for defence and attack and particularly dangerous to the attacker.

(v) Malta and Bizerta.

When France was an active ally, Bizerta bore the brunt of responsibility for the defence of the Central Mediterranean. In the event of Italy entering the conflict, Bizerta was in a strong strategic position on the North African seaboard. It was equidistant from Sardinia and Sicily and within reasonable reach of Central and Southern Italy. It provided an ideal base for naval patrols in the Sicilian Channel and, not being an island enjoyed many facilities which Malta could not share.

At the time Italy entered the war there were only four obsolescent Gloster Gladiator fighters based on Malta. A week later France was laying down arms. Malta's danger was never more pressing. But the storm was weathered.

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CONFIDENTIAL

HUNDRED-FIFTY-THIRD BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED DECEMBER 13, 1941.

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POLICY

1. Line-up of world powers now means Hitler has abandoned all hope of early victory and called in Japanese as his last reserves. In bitter and protracted struggle India and China are at last allies.

2. It is important to treat the war as a whole. In the Far East initial Japanese successes were to be expected and should be shown against background of Axis difficulties elsewhere, notably in Russia and Libya. There will be no early Japanese collapse, but long-term factors are in favour of Allies.

3. In Libyan campaign follow Churchill's speech showing corner turned and stressing confidence in Auchinleck.

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1. GENERAL APPRECIATION.

(a) Indivisible War.

(i) Germany on the Defensive.

Hitler has called up his last reserves, the Japanese. His propaganda line is to switch from Chamberlain and Churchill to Roosevelt as "instigators of the world-war". A world-war it is, the inevitable consequence of insatiable Axis ambitions to which the world as a whole refuses, and will go on refusing, to submit.

In declaring war against the United States (and dictating a similar declaration in the name of captive Italy), Hitler has recognised, as did the war-lords of Japan, that American resistance to aggression was no empty phrase. Japan struck in the hope of crippling, before it was too late, America's ability to take effective action. Hitler has declared war between Germany and the United States because he knew that such a war existed in fact. The most he could snatch from the position was the moral value (as he must have hoped) of suggesting to the peoples of Germany and Occupied Europe, by getting his declaration in first, that Germany is able to defy the powers ranged against her. Already there had been reports from the Balkans of the new hope spread by the news that America was in the war.

The defensive tone of Hitler's speech to the Reichstag is the culmination of a tendency noticed over the past year in the public utterances of German leaders. The formal declaration against the U.S.A. finally destroys the hope so often held out to the German people of a short war.

On December 31, 1940, Hitler issued an order of the day in which he said: "The year 1941 will bring us, on the western front, the completion of the greatest victory in our history". The word "completion" could have been justified only by the collapse or defeat of Britain. On October 3, 1941, in another order of the day, Hitler urged his troops to the final victorious assault on Moscow. Now he acknowledges by obvious implication the entry of new and incalculable forces against the Axis. There are no more promises.

(ii) Front Everywhere.

As President Roosevelt has declared, the unification of the world-conflict means that a blow inflicted upon the common enemy in any part of the world has its effects everywhere. The German failure in Russia (for it is a failure, though the fighting will continue and there will be further crises to surmount), and British successes in Libya are setbacks for Tokyo as well as for Berlin.

(iii) Shipping Position.

Conversely (for example) the loss of two British capital ships in the Far East must affect, for the time at any rate, Britain's ability to discharge her responsibilities in other waters. The fact must be faced, and Britain has for long faced it, that the necessity of extensive Pacific operations would endanger our naval and merchant shipping position elsewhere.

Happily, Britain's situation in this respect is encouraging. Mr. Churchill has stated that, taking into account new building, but apart from captures from the enemy and help from the U.S.A., the net British shipping losses have been reduced in the four months ending Nov. 1 to less than one-fifth of what they were in the previous four months. "The Atlantic Battle in November and the first 10 days of December", he continued, "fully maintained the great recovery of the previous four months".

(b) America and Lease-Lend.

(i) Expeditionary Forces.

Two points call for special notice in considering the effect of America's entry into the war as a full belligerent. The first is the passing with no opposition of the Bill enabling U.S. expeditionary forces to be sent to any part of the world. One week ago the passage of such a measure would have been of truly startling significance. Today it is almost lost in the long news columns.

No spectacular expectations, however, should be based upon this. The time will come for a full American expeditionary force to one or the other of the vital war-theatres. But that time is not yet.

(ii) American Aid.

A White House announcement has stated that the "Lease-Lend programme is and will continue in full operation", which follows the President's statement of as long ago as February 12 of this year, when he said that if America were forced into war in the Pacific, she would not have to curtail deliveries of war material to Britain.

These announcements should be given due emphasis as declarations of policy and programme. That supplies to one part of the world or another may suffer some interruption from the fortunes and misfortunes of war, especially during the initial stages of the new conflict, is a possibility which should at the same time be reckoned with.

We should not, however, overlook the vital fact that America's own "Defence Programme" has now become a "Victory Programme". Longer hours, greater co-ordination, increased national effort over the whole field of production are the natural result of America's emergence as a fighting power. Their final effect will not only offset any temporary supply difficulties, but will help to ensure that total victory on which America and her Allies are jointly resolved.

(c) China and Russia.

China, which has declared war on Germany and Italy (and, somewhat ironically, on Japan) was hailed by Mr. Churchill in the House on December 11 as a worthy ally.

Three days previously Mr. Churchill had told the House of his cable to Marshal Chiang Kai-shek "assuring him that henceforward we would face the foe together". Summarising the course of Sino-British relations he said:

"So precarious and narrow was the margin on which we then lived that we did not dare express the sympathy which we all along felt for the heroic people of China. We were even forced for a short time in the summer of 1940 to agree to the closing of the Burma Road. But later at the beginning of this year, as soon as we could recover our strength, we reversed the policy, and the House will remember that both I and the Foreign Secretary have felt able to make increasingly outspoken declarations of friendship for the Chinese people and their great leader."

India is now a full ally of the nation whose struggle against criminal aggression she has so long watched with sympathy and understanding. And already the course of hostilities at Hongkong makes it possible to speak of Chinese and Indian soldiers fighting, if not yet shoulder to shoulder, at least against the same enemy on the same battlefield.

Russia, heavily and heroically engaged with our first and principal enemy, is already doing all, and more than all, that we had expected of her. No obligations bind her to attack Japan, with whom she has, in fact, a non-aggression pact. Russian allegiance to the common cause is beyond dispute, and the question of her practical attitude towards Japan should be considered as a military one which is and will be affected by the development of the general military situation.

2. THE FAR EAST.

(a) Pattern of Operations.

(i) New Factors.

The campaign in the Far East and the Pacific will be unlike any other campaign so far fought in this war. Instead of great armies opposing each other across land frontiers, or fleets facing each other across home waters, this war will be an affair of naval and air bases, of far-flung outposts and of great distances. The countries concerned are so far apart that they can only reach each other by a chain of bases and outposts. These chains cross each other, forming a criss-cross pattern and producing a confused situation in which each side can threaten the communications of the other.

(ii) The Japanese Plan.

The main Japanese plan is already becoming visible. It is, first, to cut off America from the Far East by crippling the American Fleet at Hawaii, by taking the intermediate bases of Midway, Wake and Guam islands, and by securing the Philippines before reinforcements can arrive. The time thus gained would enable them, they hope, to sweep through Malaya, to isolate or take Singapore, and to seize the Dutch East Indies. The oil resources obtained in this way would enable Japan to face a long war, and the rubber seized would greatly embarass both Britain and America. This plan necessitates quick success, before America can re-establish her strategic communications or develop her latent strength; if success is not achieved, it will be Japan's communications which will be threatened in their turn.

(b) Naval Problems.

(i) Naval Strengths.

Without drawing upon her Atlantic strength, America can dispose in the Pacific 12 battleships, 4 aircraft carriers, 1 seaplane carrier, 30 cruisers, 120 destroyers, at least 50 submarines and numerous auxiliaries.

Japan, after the loss of the battleship Haruna, is estimated to have 10 battleships, 8 aircraft carriers, 40 cruisers, 140 destroyers, at least 80 submarines and possibly 3 or 4 vessels of the "pocket battleship" type.

What strength Britain can spare from her immense responsibilities for Far Eastern operations is not likely to be revealed. But it can be said that on paper Allied naval forces in the Pacific are at least equal to those of Japan.

In naval construction, as in every other field, the Japanese are clever imitators but poor originators. Latest foreign developments do not quickly find their way into the text-books and, for that reason, the Japanese are outstripped by the Americans and the British in naval design. At the same time, the Japanese are good sailors, and their navy, hitherto almost untried, is ambitious for glory. We may expect them to operate their ships with more skill and daring than the Italians, for instance, have shown. It is further worth remembering that many senior Japanese naval officers received their cadet training at the world-famous Dartmouth College in England.

(ii) Naval Losses.

The loss of the two biggest warships in the British Far Eastern Fleet - Prince of Wales and Repulse - presents a serious setback at the very outset of operations. This loss has been only partially avenged by the sinking by American aircraft of the 30,000-ton Japanese battleship Haruna as well as a cruiser and destroyer, and the damaging of another Japanese battleship.

The unexpectedness of this early heavy blow suffered by the Royal Navy inevitably led to wild speculation on the possibility that the Japanese were in possession of some "secret weapon." But Mr. Churchill, from the first-hand reports reaching him, has been able to say definitely that "there is no reason to suppose that any new weapons or explosives were employed or any bombs or torpedoes of exceptional size."

The struggle for sea control will be decided only in part by the destruction of naval craft. Many other factors exert a direct influence; for example, possession of naval and air bases, the establishment of a convoy system, dockyard facilities for the repair and replacement of warships, economic resources (oil, steel etc.).

The American shipbuilding programme alone should outstrip the Japanese, whose resources and facilities are relatively limited. It is known that America is rapidly building up a second fleet of 15 battleships, 11 aircraft carriers, 54 cruisers, 192 destroyers and 73 submarines. Because Britain has already been at war for more than two years, details of her new building are more difficult to come by. At the outbreak of war (September 1939) ships under construction or authorised included 9 battleships, of which two (including Prince of Wales) have been reported in service. Three others of the same class were due for completion in 1941 and the remaining four (of the 40,000 ton Lion class) will be completed in 1943 and 1944. Four aircraft-carriers of the 23,000 tons Illustrious class (two of which have been reported in service) were due for completion in 1940, and two others at an unspecified date. Four Fiji class cruisers (8,000 tons) are due for completion in 1942 and four others later.

(iii) The "Battlefield".

The primary characteristic of the Pacific Ocean is its immense area. From Singapore to Panama is halfway round the world. Australasia is 7,000 miles from the United States. Tokyo is more than 5,000 miles from San Francisco, and 3,000 from Singapore.

For this reason, islands which look no more than dots on the map assume immense strategic importance as naval and air bases, while aircraft carriers (mobile air bases) and cruisers (because of their long range) prove more useful than battleships and mosquito craft. It is noteworthy that some 40% of Japan's air pilot strength operates with the Navy.

(iv) Bases.

Japanese bases - none of them much more than 2,000 miles from Tokyo - are engirdled and intersected by a network of Allied bases and refuelling stations. It was against the intersecting chain - Midway - Wake - Guam - Manila - that the Japanese launched their initial assault. It is the engirdling chain - Hongkong-Singapore-Batavia-Port Darwin-Sydney-Auckland-Fiji-Samoa-Honolulu-San Diego-San Francisco-Seattle-Vancouver-Prince Rupert-Nome - that the Japanese must rupture if they are to make a serious bid for mastery of the Pacific, not to speak of the Indian Ocean.

The loss of the intersecting chain would have the effect only of reducing Allied offensive activity in Japanese home waters and against her outposts in the South China Sea.

(v) Southward Drive.

The opening phase of the war has seen Japan seizing the initiative by a surprise attack and the emphasis of Allied operations has been on defence. But Japan's own position, from a naval point of view, is no less vulnerable than that of the Allies. Her forward bases in the South China Sea, notably at Hainan, Hanoi and Camranh Bay, rely on seaborne supplies and reinforcements from home bases at Yokohama and Formosa, all of which must pass through the 640-mile channel flanked by Hongkong and Manila. If these two Allies strong points are held indefinitely the position of the enemy's forward bases will be seriously weakened.

Similarly, Allied warships using refuelling stations in the Gilbert Islands, Bismarck Archipelago and New Guinea can restrict the activity of Japanese vessels based on the Caroline and Marshall groups.

(vi) Conclusion.

There is no precedent for the scale or peculiarities of naval operations now proceeding in the Pacific. For that reason any conclusion must, of necessity, be conjectural. The Allies, however, hold some useful trump cards in the shape of resources and facilities, which may be expected in the long run to turn the scale heavily in their favour.

(c) <u>The Main Attack.</u>

(i) Malaya.

Overshadowed as it is by the British naval losses in North Malayan waters, the news from Malaya is otherwise satisfactory. The establishment of the Japanese in Thailand, if consolidated, would certainly increase the threat to Malaya and thus eventually to Singapore. But the enemy landings so far effected on Malayan territory have been met with spirit and alacrity by the British and Indian defending forces, and in fierce fighting the Japanese have made no important progress.

Recent news indicates that our troops have the situation well in hand, while the R.A.F. has inflicted considerable damage in attacks on ships and landing-parties. Neither at Penang nor at Singapore have enemy air-raids had serious military effect.

(ii) Hongkong.

Hongkong, which was placed on a war-footing on December 7, has since the following day been subjected to heavy bombardment by Japanese air, land and sea-forces. Kowloon on the mainland (ceded to the British in 1860) has received special attention.

Meanwhile our Chinese allies under Marshal Chiang Kai-shek have resumed their offensive in the north and centre of the Kwantung Province, in a move against the Japanese rear and flank.

(iii) Philippines.

Japanese forces which landed at several points on Luzon, the most northerly of the Philippine islands, are being actively engaged and have suffered heavily. Here also the situation is stated in a Manila communique to be well in hand.

Repeated Japanese aerial attacks, some of them by dive-bombers, have been made on Manila, Cavite and other important points. It is in Philippine waters that U.S. bombers have scored their successes against enemy shipping.

III. LIBYAN CAMPAIGN

(a) The Second Phase.

The second phase of the offensive in Libya opens with the recapture of El Adem, which means that the relief of Tobruk is now an established fact. Our forces continue to operate round the south flank of the enemy's armoured force and is pushing westward of his lines of communication. The enemy still holds Bardia, Halfaya and Ghirba, a strong post halfway between Sollum and Sidi Omar. These places, it is expected, will be reduced in the process of time, without undue expenditure of lives.

Otherwise, the whole quadrilateral formed by the Egyptian frontier and the line from Tobruk to Bir-el-Gobi is free from the enemy, except for stragglers.

(b) Mr. Churchill's Points.

The following are points of interest in the Prime Minister's candid and confident summary of the situation in his review in Parliament on December 11:

(i) "The sudden surprise and success of our advance prevented a trial of strength in mass between the opposed armoured divisions, with the result that the battle, though equally intense, became both dispersed and protracted."

(ii) "Our losses of tanks were a great deal heavier than we expected."

(iii) "The greatest satisfaction is expressed by the troops and by the military authorities about the way in which they have been helped and protected by the action of the R.A.F. None of the complaints in the previous enterprises has reached us here upon that score."

(iv) "About half, sometimes more, of everything in men, munitions and fuel which the enemy sends to Africa is sunk before it gets there."

(v) "From the viewpoint of drawing weight from the vast Russian front the continuance of the fighting in its severity is not to be regarded as an evil ... In the air we retain superiority, although the Germans have drawn in the most extravagant manner upon reinforcements from many quarters, including the Russian front."

(vi) "Substantial reinforcements and fresh troops are available 'close at hand' for the Allied forces."

(c) Change in Command.

Mr. Churchill revealed that since Nov. 26, Major-General Ritchie has been in command of the 8th Army in the place of General Cunningham.

The fact that the new appointment was made by swift decision by General Auchinleck on his visit to battle headquarters, would seem to bear out the Prime Minister's reference to the serious effects of over-strain suffered by General Cunningham in the course of this intense campaign. Mr. Churchill's praise of General Cunningham's "brilliant service" in Abyssinia was well-earned, for the advance of his force through difficult country against an enemy far superior in numbers was accomplished at the unprecedented speed of 25 miles a day at a time when speed was a highly important factor.

The War Cabinet's confidence in the Middle East Command was well expressed by the Prime Minister. "It is General Auchinleck's battle," he said. "I believe we have found in him as we have also found in General Wavell a military figure of the first order."

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HUNDRED-FIFTY-FOURTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 16TH DECEMBER 1941.

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POLICY

1. In Far East Allied holding action is at present satisfactory. Play up potential strength of A.B.C.D. combination but strong American air and naval support is matter of time and distance. Threat to Burma is by air rather than land.

2. Russian successes are substantial but do not as yet amount to a major German defeat.

3. Axis withdrawal in Libya justifies tone of sober confidence.

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I. FAR EAST.

(a) Operations.

(i) Pacific Bases.

President Roosevelt's warning (December 9) that "we must prepare for the announcement that all these three outposts (Guam, Wake and Midway) have been seized" has not yet been fulfilled. From Guam the lack of any recent reports would seem to justify his fears, but on Wake and Midway Islands the small defending forces have been fighting back courageously after the initial surprise. At the same time all three bases are for the present useless to the United States. In the Hawaii area naval action is reported against Japanese submarines.

The confusion and often absence of reports reaching Washington from these outposts illustrates the great difficulties which the U.S. will have to overcome before its communications can be strongly re-established over the immense Pacific distances.

(ii) Luzon and Hongkong.

"Situation well in hand" is the verdict of American Army Headquarters in the Philippines at the end of the first week of the Japanese surprise blitz, in which they have lost at least 40 planes in 14 major air attacks.

Fighting on Luzon Island is confined to the Legaspi, Vifan and Appari areas. All other enemy landings have been repulsed, and U.S. bombers have so far given a good account of themselves.

The Japanese claim to have captured Kowloon, the ceded area on the mainland opposite Hongkong, is correct. The British forces are withdrawing to the main position on the island, and the attack on the fortress proper has begun. It should be almost impregnable to land attack, but the Japanese may be able to make the island untenable by direct artillery fire and air attack.

It is no good blinking the fact that Hongkong is in very grave danger. Not much in the way of relief should be anticipated from the Chinese around Canton. The problem of Hongkong's defences is made more difficult by the presence of large numbers of civilians. In this respect it differs from Tobruk or Gibraltar.

(iii) N. Malaya and Burma.

Stubborn fighting continues in the Kedah area on the north-west coast of Malaya, and the Japanese are attempting to work in reinforcements through southern Thailand.

It would be misleading to regard as the "invasion of Burma" the news that Japanese forces have occupied Victoria Point, the southern-most tip of the province of Tenasserim. The narrow isthmus of Kra is technically divided at this point between Thailand and Burma, but geographically and from the point of view of land and sea communications this region has little affinity with

Burma proper, though the loss of Victoria Point will necessitate other arrangements for air communication between Rangoon and Singapore. Rangoon is 500 miles north of Victoria Point.

(iv) Japanese Transport Losses.

A significant feat is the sinking of two Japanese troopships by Dutch submarines. This makes six such losses for the enemy within 48 hours. The loss of transports is a new and doubtless highly unwelcome experience for the Japanese Army, who for years have been accustomed to the invasion of countries possessing no naval forces to speak of.

(b) Japan's Economic Position.

(i) Tokyo's Gamble.

Japan has chosen her zero hour on the ground that America's war potential was not yet fully developed, and because every week that passed increased the strain on Japanese economy from the measures already taken by the A.B.C.D. nations in answer to expanding aggression.

Initial military successes are vital to the general Japanese strategy, and she has scrapped every vestige of honourable international behaviour to secure them. But for Japan's needs, such successes must be more than spectacular. They must be so consolidated as to be decisive in her struggle to augment by war her resources for war. That is the whole nature of the Japanese gamble, and it bears a close resemblance to Hitler's gamble in Russia - the gamble that has failed in 1941, but which Hitler must somehow or other resume if he is to stave off defeat.

The apparent recklessness of the Japanese onslaught should not, however, obscure her ability to wage war for a considerable period. Long-term considerations are definitely in favour of the Allies, but that does not mean that Japan must win in a month or collapse. The most desperate gambler would not begin hostilities on those terms. As Dr. Dalton, British Minister of Economic Warfare, has reminded us, Japan has been preparing for a long time.

(ii) Oil.

On the coast of the sea of Japan, some deposits of petroleum were discovered at the beginning of the century. But the peak figure of 1922, 71 million Imperial gallons, has never been repeated since. In fact nearly three-quarters of her oil used to come from California, and most of the remainder from the Dutch East Indies, by an agreement subsequently scrapped.

Colonel Knox's recent estimate that Japan had accumulated sufficient stocks of oil to enable her to fight a major war on land, sea and air for 14 months is broadly confirmed by independent researches of the Ministry of Economic Warfare. This makes no provision for any stocks or deposits which she might acquire as a result of operations. In that connection, however, there has been an announcement by the authorities in the Dutch East Indies, that, if necessary, a "scorched earth" policy would be adopted.

(iii) Steel.

Japan's vital steel problem was referred to by Mr. Churchill in a speech before the outbreak of hostilities. Over a quarter of the Japanese steel-output depends on imported pig and scrap, and another three-eighths on imported ore. The scrap came from America.

(iv) Other War Supplies.

Her coal production is barely sufficient for steel-smelting alone, and peace-time industrial needs. Ferro-alloys, bauxite and finished engineering products have always figured as major items among Japanese imports. From Australia Japan obtained two-thirds of her wool requirements.

Between 1936 and 1938 military imports rose from 660 million yen to 2,104 million yen, while others dropped from 2,104 million yen to 1,413 million yen. Civilian consumption fell by about a fifth. Later figures, not at present available, would show the same trend - guns before butter.

(v) Food.

"We shall not starve the Japanese for a long time, however complete our blockade," said Dr. Dalton on December 11. "They live largely on rice, of which they have large quantities. Japan has sufficient food for at least three years, and will get imports from Indo-China and Thailand."

(vi) Conclusion.

President Roosevelt has told his people that the war may not only be a long one but will certainly be a hard one. This recognition of the facts is part of the moral guarantee of eventual victory, as the Allied material resources in their full exploitation will represent the physical guarantee.

The Japanese war-lords have everything to lose, though their share of an Axis victory would remain as problematical as that of others who sup with the devil. They have prepared for their gamble and they will fight hard to force it through. But a gamble it remains, and in the long run the dice are loaded against them.

In the meantime, remember that the war is one war. Temporary setbacks for the Allies in one area may be more than counterbalanced by gains in another.

II. RUSSIA

(a) End of the Moscow Drive

A few days ago it became clear that the final German drive on Moscow had spent its force and was practically at a standstill; now the special Russian communique of December 12 has revealed both the extent of the menace to Moscow and the vigour of the Russian counter-stroke.

What seems to have happened is that as soon as the German pressure relaxed, the Russians counter-attacked with a strength quite unexpected by their opponents. The Germans were given no time to dig themselves in at their advanced posts, or to retire at leisure, but have been attacked in their positions and hustled in their retirement, with the result that they have lost much in men and material, and probably as much in morale.

Aiding the Russians have been German withdrawals of aircraft (some of them going to Libya) and the apparent German unpreparedness for Russian winter conditions, for which evidence is accumulating.

(b) <u>German Admissions and Excuses.</u>

German anxiety over the situation is reflected in their own news. At first they endeavoured to blanket all news from the Russian front by speaking of "winter conditions" arriving, to which the German High Command was adapting its operations. Then the Fuehrer's Headquarters spoke only of local attacks (of course repulsed), Leningrad and Sebastopol being almost the only places mentioned. Hitler returned to Berlin on December 10, a date almost coinciding with that on which Napoleon abandoned his army (December 5,1812). Both moves were ill-omened, Napoleon's departure being the sequel to a plot in Paris, Hitler's the prelude to a retreat round Moscow.

"Blanketing" has clearly not proved successful in keeping the news from Germany, for "Scrutator" from Berlin has just sought (December 14) to explain away <u>admitted withdrawals.</u> "If here and there along the immense front stretching from the Baltic to the Black Sea, slight corrections are being made, if the Germans allow the Russians to reoccupy a few of their dirty hamlets, or if the spearhead is being taken back out of strategic considerations, this is certainly no reason for Moscow or London even to hint at victory or anything faintly resembling military success."

When the "dirty hamlets" include Tikhvin, Stalinogorsk and Yelets, large towns marked on any ordinary map, the strategic considerations would seem to be more Russian than German. In other words the Germans <u>now admit retirements which they must try to explain away.</u>

(c) <u>Operations.</u>

(i) The Threat to Moscow.

The special Russian communique revealed the gravity of the threat to Moscow in announcing large Russian gains. It is clear that the German attempts to isolate and encircle Moscow by a pincer movement made very dangerous progress before being stopped. The capture of Tikhvin threatened the complete isolation of Leningrad; the advance through Klin to Yakhroma carried the Germans to a point due north of Moscow; the Tula-Moscow highway was broken and Tula encircled on three sides; the westerly Moscow-Rostov trunk line was broken both there and at Yelets, and the easterly one was threatened by the advance through Stalinogorsk to Mikhailov, only 50 miles from Ryazan.

What has happened now is that the Russians have cut off these pincers both north and south, thus strengthening their line and recovering control of the westerly trunk line. The recapture of Tikhvin and Volkhov, which represents an advance of 50 miles, relieves the blockade of Leningrad and makes the reunion of the Leningrad and Lake Ilmen armies possible.

(ii) Extent of the Russian Success.

When so much has been said, care should be taken not to confuse this Russian removal of a threat with a wholesale retreat like that of 1812. The winter is bound to affect the Russians as well as (though not as much as) the Germans, and while it may be assumed that the Russians will not allow the Germans the respite in winter quarters they desire so much, the difficulties of a full-scale offensive are enormous. Satisfaction at a substantial success should not therefore pass into anticipation of a wholesale German debacle.

III. LIBYA.

Operations.

(i) Enemy Withdrawal.

The 8th Army has lost no time in catching up with the retreating enemy at Gazala. The withdrawal of von Rommel's forces to the west and north-west is being impeded by the New Zealanders from the east and by a mixed force of British and Indian troops from the south and west. These are now reported to have completed the encirclement of Gazala.

By December 15, the enemy had been driven back to a depth of 50 miles on a 40-mile front south-west of Gazala. In fierce rearguard actions the Germans have suffered heavy losses in prisoners, guns, and mechanical transport, and have now apparently turned to fight it out, which is what we want.

(ii) Coastal Posts.

The capture of Ghirba, a strong point between Sollum and Sidi Omar, by the British forces, leaves the enemy holding out only at two places east of Tobruk, at Sollum and Bardia. Cut off from the main body of von Rommel's forces, the reduction of these two remaining strong posts is a matter of time.

(iii) Reinforced Luftwaffe.

The Germans are sending large aerial reinforcements to Libya. The Luftwaffe has been reinforced after extravagant withdrawals from many quarters, including the Russian front. But the R.A.F. still retains its superiority, though it is meeting with increasing opposition.

(iv) Fleet Action.

The important factor of British sea control was demonstrated afresh in two recent actions.

On December 10, units of the Mediterranean Fleet bombarded the port of Derna, inflicting damage on ships, harbour facilities and supply dumps. With extensive workshops, storage facilities and harbour works, Derna ranks after Tripoli and Benghazi among Axis supply bases on the Libyan coast. With von Rommel's withdrawal west of Gazala, Derna assumes additional importance, and there have been reports of large Axis land-convoys of munitions and other supplies to this advanced base. The R.A.F. has been attacking Derna almost every day.

In the early hours of December 13, a brilliant action by a light British naval force resulted, without any loss to the Royal Navy, in the sinking of two Italian cruisers and an E-boat and severe damage to a torpedo-boat. The co-operation of the R.A.F., who first detected the enemy warships, should be noted.

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CONFIDENTIAL

HUNDRED-FIFTY-FIFTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED 20TH DECEMBER, 1941

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POLICY

1. Continue by all means to present war as a whole. While Far East situation remains grave, Axis forces are in full retreat in Russia and Libya.

2. Rumours and threats of bombing of India and Burma are inspired by enemy to cause dismay. Publicize Wavell's assurance that there is no cause for any great alarm.

3. For the present avoid speculation on any Anglo-American rupture of relations with Vichy.

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SMS.

I. GENERAL APPRECIATION

(a) The Historic Plot.

The war is world-wide. Events in one theatre may vitally affect developments in others. In a sense which the world is at last beginning to grasp, this has been so from September 1939 when Hitler attacked Poland. It has been so since 1933 when Hitler's party bullied and cheated their way to power in Germany. Indeed the spark of world-conflict may be said to have been struck by Japan in 1931, when the faked "Mukden incident" inaugurated the first test of the will and ability of peaceful nations to oppose aggression by collective action.

Collective action has come at last, precipitated by the slow processes of history. Its potential effect is enormous, and by total effort can make final victory certain. But in the meantime the aggressors have secured by unscrupulous methods important strategic advantages, and their war-machines, prepared over many years by ruthless sacrifices imposed on their civilian populations, are geared to a pitch which the peaceful powers necessarily take time to approach.

It is important to bear in mind that the Axis bid for world-domination does not date from formal declarations of war -- a convention which in fact the aggressors have frequently neglected. The Japanese advance in the Far East has been prosecuted step by step during a decade of intense activity, and in itself was a continuation of an aggressive policy laid down earlier still. Despite frequent occasions when the designs of the Japanese militarists appeared to cross with those of Germany, despite periodical hesitation on both sides, it is unquestionable that Japan has well served the purposes of aggression all over the world, and that her recent military attack is only the culminating phase of political warfare deliberately waged against Britain and the United States and all the interests of which those powers are regarded as the protectors.

(b) Four Fronts.

In the immense struggle which is the result of continuous aggression and mounting resistance, in the one war which is now compounded of so many smaller wars, four main theatres can at present be distinguished. Two, Russia and Libya, are land fronts. The other two are the sea-fronts of the Atlantic and the Pacific; for the Japanese adventure, even in its Chinese phase, consists of attacks launched in every case over water and dependent on a naval situation for their success.

From two of these fronts, from Russia and Libya, the news is excellent. From the Atlantic it is fair to say at present that no news is good news. On the Pacific front the general situation remains grave for the Allies.

(i) Russia.

The unconvincing attempts of German propaganda (especially in broadcasts in the German Language) to explain away their "corrections of front" in Russia reveal in themselves the serious nature of the German reverses.

Hitler told his army and his people on October 3 that "the enemy lies defeated and cannot rise again". Now a German officer, Col. Soldan, in an article in a Berlin newspaper, points out the "mistake" made by "large circles in Germany" that Russia would be conquered quickly. He goes so far as to say that "the Red Army today equals the German Army and is sometimes even superior ...... There seem to be never-ending Russian reserves in men and material. They fight with iron discipline".

Despite German explanations about shortening their eastern front purely for winter needs, the Russian offensive is proceeding -- obviously against German plans. It is being made on an ever-increasing area, even including the Lake Onega and River Svir sectors, and the Russians already are finding evidence in such places as the newly reoccupied Kalinin that the Germans in no wise contemplated retirement from these areas.

Russian thrusts on the Moscow front have pushed forward the Russian line to the north-west, centre and south of the Tula and Orel sectors.

(ii) Libya.

The Cairo G.H.Q. communiques have not suffered from the over-optimism of which certain correspondents were guilty earlier in the Libyan campaign. The announcement from Cairo on December 18 that "Axis forces in eastern Cyrenaica are in full retreat" may therefore be taken at its face value.

It should be clearly understood, however, that an Axis withdrawal is not in itself sufficient to provide our forces with the victory they have so well earned. The primary objective of the offensive remains the destruction of the enemy's armoured forces, and the purpose of the present operations is to cut off Rommel's retreat.

In recent fighting the Axis forces are known to have suffered heavily. The failure of their fierce counter-attacks reflects great credit on the spirit and determination of the Fourth Indian Division.

(iii) Atlantic.

By December, when Japan struck in the Pacific, Britain could claim that her great exertions, aided by growing American co-operation, had at the very least blunted the intense German attack on the Atlantic seaways which had opened with a propaganda fanfare from Hitler himself in February (see 153rd Guidance Notes, Part I, para (a) (iii)).

There will henceforth be no restrictions on American participation in the Atlantic Battle save those arising out of military necessity as it affects the strategy of world warfare.

On sea as on land, operations in one theatre of war necessarily affect those elsewhere. It is too early to foresee what influence Pacific warfare will have upon the Battle of the Atlantic, and British and American naval movements and dispositions will naturally not be divulged. Enemy anxieties on this score are revealed by propaganda (both from Germany and Japan) suggesting British warship losses and movements in the hope that official denials or other statements will disclose vital information.

The possibility of an invasion of Britain has been publicly referred to again by the British War Secretary (December 18) and there is no doubt that the authorities are equally alive to the possibility of an intensification of the Atlantic Battle. In this connection the heavy R.A.F. bombings of Brest and other German-occupied naval bases, and the agreement reached between the U.S.A. and the French West Indian Island of Martinique, are significant.

(iv) Pacific.

In the Far East, the Japanese unquestionably have scored considerable initial successes and these are now being exploited to the utmost possible extent. But even here, though we must still be prepared for unpleasant developments, the Japanese already are probably finding that they are encountering stiffer resistance than they expected.

They have suffered no slight losses in warships, troopships and aeroplanes and the Philippine Island of Luzon is proving a very tough proposition. Such landings as the Japanese have secured do not constitute at present a dangerous threat to Manila. Indeed, the American Command in Manila reports the situation as "well in hand".

The idea that Hongkong might prove almost impregnable to direct attack has proved wrong, presumably because the garrison was not large enough to guard every possible place where after heavy bombardment a landing might be made under cover of darkness by determined men in greatly superior strength.

The position must be very grave indeed, and with the island crowded with civilians it seems unlikely that the garrison can continue much longer its lonely and heroic resistance.

Though the possession of Hongkong was not, in existing circumstances, of much positive value to us, it may be of great value to the Japanese for the protection of their long lines of sea communications.

Every day of the stubborn defence of Hongkong has been a service rendered to the Allies in this difficult early stage of the Far East war. The Japanese anxiety to score a swift success here is shown by the great weight of their attack at a time when Chinese forces are active against their flank, and by the repeated summons to surrender, the first of which was issued on the opening day of the siege proper.

Indo-China and Thailand have given the enemy invaluable aerodromes, which have enabled them to make full use of landbased aircraft and they have utilised these facilities in order to secure further aerodromes at Kota Bahru and Victoria Point. They have launched a serious threat to north-west Malaya through Kedah provice and their objective doubtless is to work down thewestern Malayan coastline against Singapore. The evacuation of Penang affords the enemy a valuable advanced air base.

Though there is much jungle in this part of the Malayan terrain, an advance along the coastline and over undulating country further inland, at present devoted to rubber plantations, would not be faced with geographical difficulties. Nonetheless though we have retired slightly in this area for the purpose of stabilising our line, the Japs by no means are having matters their own way. Heavy fighting is proceeding and our forces are giving a good account of themselves.

Too much store should not be laid by the present relative lull in air activity over the principle zones of conflict, but this slackening, however temporary, serves to remind us that the enemy's offensive is launched from advanced bases, some of them only recently prepared and secured, and most of them distant from Japan itself by thousands of miles.

(c) The Rumour-Weapon.

(i) **The German Model.**

Japan has only one secret weapon -- panic-propaganda; and that one has been an open secret since Germany employed it elaborately against France (with success) and against Britian (with ignominious failure).

Here is the formula, from Dr. Goebbels himself in an address at Berlin University early this month (as reported from Stockholm by The Times correspondent).

"The German news policy" said their Propaganda Minister, "is a first class weapon. For instance, during the battle of Flanders the Press was given information contrary to facts and Englishmen fell into the trap and paid dearly."

It is of passing interest to notice the depth of German decadence revealed by such a statement made, of all places, in a University. What is immediately important is to be aware of this deliberate enemy policy, in which Japan cannot be expected to lag behind her partner in crime.

(ii) Japanese Adaptation.

Japan is fighting from advanced bases whose communications with the homeland will be gravely threatened unless she can secure very swift and very substantial gains.

"The internal situation in Japan," reports an American writer who has just returned to San Francisco after many years in Japan, "was degenerating so quickly that the army was confronted with the necessity of providing the nation with a decisive blitz victory over the democracies and simultaneously solving the four-year conflict with China, or abdicating its power either peacefully or through an internal revolution."

To bolster morale in Japan and to undermine it in the territories she is threatening is a task not only for Japanese arms but also, and in certain circumstances chiefly, for Japanese propaganda.

There is the further hope of gleaning vital information. As General Wavell said in Delhi on Dec. 18. "The enemy undoubtedly will try to do everything possible to play on our nerves by spreading false information and by other means. He will spread false information -- as in the case of the report that Rangoon was bombed -- in the hope that its denial will give him information which will be useful to him and which he would not have got otherwise".

(iii) Defence.

Defence against what the enemy blatantly calls his "news policy" of false information and panic-mongering, places responsibilities on every citizen, but perhaps chiefly on the Press.

Briefly that defence lies in a "news policy" of true information and in the maintenance of a calm attitude which examines everything on its merits. When a country is at war true information on a particular subject at a particular time may sometimes mean no information. In such cases the temptation to make a headline out of some spectacular but quite unconfirmed report is one which everyone who has the interests of his country at heart will avoid.

II. UNITED STATES.

(a) American Reactions.

(i) Surprise.

Reports from America make it clear that the Japanese attack while conversations were actually proceeding in Washington between Mr. Cordell Hull, Admiral Nomura and Mr. Kurusu, took the country completely by surprise. New Yorkers on the first day were described as being stunned and refusing to credit the news. The President in his Fireside Chat, which was hailed as one of his finest, gave an indignant catalogue of Axis attacks "without warning", reaching a climax with the attack on America. In this he obviously interpreted general American feelings. Raymond Gram Swing, in a broadcast on December 14, with his unerring sense of American opinion, described the Americans as "the most surprised people of modern times".

This surprise was not because a war with Japan was unexpected. For many years the Japanese question had taken the form in America, not of "will there be war with Japan," but "when will the showdown come?" At the beginning of the month it was known that "the Japanese crisis had come within an inch of catastrophe," and though it was thought that tension thereafter was slightly less, the gravity of the situation was fully realised. American surprise was caused first by the shock of realising that Japan had dared to <u>attack</u> America, and to do so treacherously, and secondly by the fact that the average American, while intellectually aware of the Japanese danger, was emotionally still living in the 19th century, when America could not be seriously threatened by any enemy and the choice of war or peace lay entirely in American hands.

American surprise was the result of the double shock of a violent awakening from the pleasant dreams of liberal ethics and 19th century security to the hard realities of power politics and Axis perfidy and aggression. After this shock, the German declaration of war, the curtain to so much isolationist wrangling for so long, came as a flat anti-climax.

(ii) Anger.

The American reactions to the first few days of war followed swiftly. Surprise was succeeded by anger at the dastardliness of the attack. American idealism is strong, and its freshness has not been dimmed by the bitter experiences of the countries nearer the Nazis. An act which caused little surprise elsewhere, because it was of a piece with the well-known Axis morality, has therefore caused intense anger and indignation.

(iii) Humiliation.

The third reaction was a feeling of humiliation that the Hawaiian defences had been taken by surprise and had suffered heavy losses.

(iv) Resolution.

These three emotions, surprise, anger and humiliation, have fused together into a grim determination to see this thing through thoroughly and adequately. "The President was right after all," has been a general comment. Isolationism has died overnight. Even Mr. Lindbergh and Senator Wheeler supported the declaration against Japan. "Our country has been attacked by

force of arms, and by force of arms we must retaliate," said Mr. Lindbergh. America in ten days has been going through the mental transition which it took Britain nine months, from Poland to Dunkirk, to accomplish. In perspective the Hawaiian losses may prove to be very valuable by providing a shock sharp enough to affect this mighty transition so quickly.

(b) American Measures.

American measures since the outbreak of war have been large, definite and long-sighted. Here is a brief resume of some of them:

(i) Political.

Congress passed the Declaration of War against Japan with only one dissentient (a pacifist) and against Germany and Italy unanimously.

Isolationism as a political issue is dead. Discussion now centres round measures to increase the war effort, and the efficiency of the conduct of the war.

Congress has given the President extraordinary wartime powers, giving him control over censorship and 7,000 million dollars worth of property.

(ii) Military.

Replacements for the Hawaiian losses have been sent or are already on their way. The change of commands at Hawaii and the despatch of a commission of enquiry following Colonel Knox's visit show American determination to insist on the most rigorous efficiency in waging war.

The Navy, which started the war with 17 battleships, 7 aircraft carriers, 37 cruisers, 171 destroyers and 111 submarines, has in addition building 15 battleships, 11 aircraft carriers, 54 cruisers, 192 destroyers and 73 submarines.

(iii) Legislation.

The Draft Expansion Bill, which has just been passed, provides for the registration of all men from 18 to 65, and makes those from 20 to 44 liable to military service.

Congress has voted one appropriation of 10,000 million dollars for financing war production.

All American land forces have been made liable for service throughout the world, and to be retained in service for the duration of the war.

(iv) Production.

The seven day or 168-hour week is being introduced into all war factories.

Mr. William Knudsen, Director of the Office of Production Management, has disclosed the following facts.

Apart from other types of aircraft, bombers of the largest size will be built at the rate of 1,000 a month.

Anti-tank weapons production is being greatly increased.

Lease-Lend deliveries, after a possible slight temporary reduction due to shipping difficulties, will be not only maintained but doubled.

From January 1, automobile production will be reduced 75%, and the factories diverted to military uses.

Ninety ocean-going ships will be launched in the next 90 days.

Tank-production, now 840 a month, in a year's time will be 4,800 a month. Aircraft output, already 2,000 per month, will reach 2,400 this month.

Then the "Aid and Defence" programme have been converted into a single "Victory" programme.

(v) Labour.

Strikes have vanished from the Labour world. Mr. William Green, head of the A.F.L., Mr. Philip Murray, head of the C.I.O., and Mr. John Lewis have pledged labour's utmost co-operation in attaining maximum production.

(vi) Conclusion.

Thus all America, from President to isolationist, from industrial magnate to worker, is "going to it". When America hustles, things move.

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Note. There will be no issue of Guidance Notes on Saturday, December 27th. The next issue (No. 157) will be made on Tuesday, December 30.

HUNDRED-FIFTY-SIXTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED THE 23RD DECEMBER, 1941

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POLICY

1. Treat Russian Front as most crucial war-theatre, and Russia's offensive against Germans as best service she can at present render common cause.

2. In Far East we face full initial force of Japanese blitz, but China incident shows Japan to be better at starting wars than finishing them.

3. Continue to counter rumours by explaining enemy source and technique. Recall many similar rumours, later exploded, in German attack on Britain.

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1. GERMANY.

(a) The Failure in Russia.

(i) The German Plan.

Though the Japanese drive against Allied bases in the East Indies and Pacific has enlarged the field of the war, it has not changed its character. It is still Hitler's war for world domination, of which the Far Eastern phase, initiated by the militarists of Japan, marks a great climax.

It is still true, moreover, that the centre of the storm is the Russian front. When Hitler threw the bulk of the German Army, reinforced with many divisions from the satellite countries, across the western frontiers of the Soviet Union, the plan was to acquire control of a vast reservoir of manpower and material resources.

The invincible German military machine would thus become a spearhead of such gigantic productive capacity that one of two things must happen. Either the British Empire and the United States would realise that further opposition to this accumulation of military and industrial power was useless and would call off the struggle, accepting Hitlerite Europe, or (if they remained pig-headed) the full force of the German Reich could be hurled against Britain and the British position in the Mediterranean and a swift decision secured. Nazi world domination would have followed in due course.

(ii) Russia's Peril.

During the German advance into Russia the tone of German communiques and propaganda comments indicated complete confidence in rapid and absolute victory, to be followed by a great switch westwards. In fact Hitler came within measurable distance of achieving his object. Leningrad was all but encircled; the German tentacles were slowly closing in around Moscow; the industrial area of the Donetz Basin was being overrun; Rostov was in German hands and the vital region of the Caucasus was in imminent peril.

(b) Turn of the Tide.

(i) Hitler's Problem.

Russian resistance set Hitler a world-wide problem. Behind the wall of this resistance a network of Anglo-American supply lines was being constructed. Unless something drastic was done the German plan would become completely reversed. Instead of being able to swing westwards and south in the spring of 1942 fortified by the enormous resources of an enslaved Russia, the German Army was in danger of being held down and mauled by its intended victim which, as the months went by, would grow ever stronger as a result of Anglo-American nourishment.

Instead of becoming a German reservoir, Russia was threatening to turn into a "running sore" such as Spain had been to Napoleon. As that prospect began to emerge a new threat developed against the flank of the Axis position in the form of a British offensive in Libya.

(ii) Urgent Needs.

From the German viewpoint, two steps were urgently required to save the situation. In the first place, the German Army and Luftwaffe must, as far as possible, be disengaged from the eastern enemy so as to be available for a bold attempt to turn the tables on the British in North Africa! Secondly, Russia must at all costs be isolated from her powerful friends by throwing Britain and the United States on the defensive in the Pacific as a result of the war with Japan. If British and American supplies to the Soviet Union could be reduced to a trickle, a German offensive against the Caucasus could be resumed in the spring with good prospects of success. If not, if the stream of supplies were maintained, if the Germans failed to reach the Caucasus, their situation as regards oil would be desperate.

(iii) Axis Gambles.

The price paid by Hitler for this attempted isolation of the Soviet Union has been the conversion of the American people into a united and fiercely determined billigerent. That is the measure of his present gamble. There are more gambles to come and very possibly they will involve the democracies in further perils and temporary reverses, for there is no corner of the earth which Hitler will not, by force or cajolery, drag into the conflagration before he finally admits defeat.

(iv) Conclusion.

As Hitler widens the conflict, immediate dangers to the Allies are increased and final victory necessarily postponed. The sober recognition of that fact is steadily drawing together the powerful untis of the anti-Axis confederation. Unity of purpose is there already, and there are clear signs that the integration of strategy and supply arrangements is being rapidly pushed forward, the clearest sign of which is the arrival of Mr. Churchill in the U.S.A.

The victory which the Allies will ultimately achieve will be the more decisive for being the work of a united front, and will be the more significant for the future.

In the interval our forces and those of our Allies in the Far East face with grim resolution the heaviest stage of the new attack, and upon Britain herself falls the main burden of conducting an offensive campaign for mastery of the Mediterranean while at the same time filling in the gaps in the Russian supply system. But this is the Britain which Hitler has attacked from every angle and with every advantage but never with success.

(c) Doubts and Dissensions.

(i) A New Significance.

The explosion of the myth of German invincibility recalls previous occasions when the lavishly prepared machine of world conquest appeared to be creaking.

It is known, for instance, that the question agitating the German leaders in the Autumn of 1939, after the Polish Campaign and the Allied refusal to consider "peace" offers, was simply whether to attack in the West forthwith or wait for the Spring.

There were fresh signs of perplexity after the failure of the Battle of Britain, the Italian defeats in Greece and Libya, and the collapse of Hitler's grandiose diplomatic plan to present the world with a united diplomatic front. This perplexity was more genuine, but it only heralded a readjustment which developed into the penetration of the Balkans.

A third set of questions occurred after the failure of the initial German rush against Russia. Similar signs are more significant now because they follow the first important German defeat on land, a defeat now so clear to the whole world that even the German people are becoming aware of it. The signs of restiveness in the German people which were reported in the summer, when they realised that Russian resistance was much greater than was expected have reappeared larger than before.

(ii) Hitler's Speech.

Hitler's speech on December 10, which lasted over two hours, was the most apologetic he has yet made, a large part being devoted to a justification of his original attack on Poland. In addition he boasted of the impregnability of his position in the West, so betraying German nervousness of attack from that quarter, and the reviving spectre of a two-front war. "I am irrevocably determined," said Hitler, "to make the European front unassailable to the enemy." In his previous speech a month earlier, Hitler had revealed the existence of discontent within Germany by announcing that any subversive activities would be ruthlessly stamped out.

(iii) Goebbels' Broadcast.

Dr. Goebbels' broadcast on December 20 was more revealing still. He betrayed the fact that the troops in Russia were not being allowed Christmas leave (which prevents the public hearing first hand accounts of Russian conditions), that there was a shortage of warm clothing and that the transport system was choked with traffic. "The field post is overtaxed and consignments to the front are only possible to a limited extent." House to house collections of warm clothes, "which can with difficulty be spared", show not only lack of winter clothing but a break down in the vaunted German organisation.

(iv) German privations.

In Das Reich Goebbels has admitted "the increasing difficulties of our civil life", and the only comfort he can offer is to claim that the British are suffering as much. A year ago Germans were boasting of their plenty while the British were "starving". On December 16, 1940, the German radio said: "Not a soul will be hungry and not one German need be cold this winter". This is how the Nazis will celebrate the third Christmas: Three ounces of meat per head per week only is now allowed. There will be no candles for Christmas trees because of the fat shortage. There will be little drinking of beer. In Munich, the home of German beer, the public-houses open for only two hours daily. The giving of Christmas presents has been discouraged, and of Christmas bonuses by employers prohibited.

(v) Hitler and the Army.

In an analysis of the causes of the German failure in Russia, broadcast by the B.B.C. on December 18, Major Lewis Hastings said:

"When Hitler returned to Berlin on October 2nd to make that strange speech urging the German armies to complete a decisive victory, the man was under exceptional emotional strain. The closer the study that it made of the speech, precise details of which are only now available, the more certain this is. There is no longer any doubt that grave differences of opinion then existed between Hitler himself and members of his General Staff, but the politician and prophet was too powerful, and the German masses rolled forward to their doom."

That those differences have come to a head with the worsening news from Russia is strongly suggested by the dismissal of Gen. Von Brauchitsch and his replacement by Hitler himself in direct command, in addition to the Fuehrer's supreme control of the Air and Sea forces.

Von Brauchitsch is believed to have advised against the Russian war and also against the final Moscow drive, which was undertaken at Hitler's own express command. Other reports have named von Bock and von Keitel also as being under the shadow.

Hitler had in any case assumed public and personal responsibility for the last attempt on Moscow, and it now appears that he is throwing his own popularity into the scale as discontent grows.

(vi) Echoes in Italy.

In Italy a state of emergency has been declared in the Southern provinces. Three weeks ago the Germans were saying: "Even if the British won the battle of Libya it will have no influence on the outcome of the war". But recently Rome,followed by Signor Gayda in the Giornale d'Italia, has been saying: "Libya means the Mediterranean. The only possible solution for us is victory".

(vii) Conclusion.

These signs are portents, but portents only. They point the significance of the setbacks which the Axis powers are desperately trying to offset by the Japanese adventure. They do not in themselves reveal the Axis as anywhere near breaking-point, but they show how the break may be expected to come - as a sequel to military defeats.

We should remember also that among the German masses apathy and resignation are more familiar attitudes than active discontent.

2. FAR EAST.

(a) Japanese Calculations.

(i) Need for Bases.

As was pointed out in the last issue of Guidance Notes (Part 1, para (c)(ii)), Japan is fighting from advanced bases whose communications with the homeland will be gravely threatened unless she can obtain very swift and very substantial gains.

Her blitz campaign in the areas bordering the South China Sea is first and foremost an attempt to improve her strategic position by securing further bases for herself and depriving the Allies of their use. Clearly the policy of the Japanese is to establish themselves as strongly as possible before the inevitable counter-strokes begin.

(ii) Need for Supplies.

A Japanese occupation of the Malay Peninsula would be a severe blow, especially in view of the fact that Malaya furnishes 39% of the world's tin production. Rubber and oil are other vital commodities in the East Indies as a whole which, if transferred to enemy hands, would affect the balance of material staying-power now weighted heavily on the side of the Allies.

Domination of these rich and widely separated productive areas, however, is a very different matter from the attainment by all-out methods of initial military objectives. Conquest is a long business.

Japan cannot hope to defeat America militarily. Her calculation must be -- if she has calculated beyond the first few rounds -- that she may be able to procure, after a series of staggering blows, a patched up peace which would enable her to consolidate her advantages and pursue her policy of expansion without serious interference.

But the possibility of such a peace can be entirely ruled out. Japan will have to fight all the way and against a resistance whose mobilisation may be gradual but whose culminating effect will be decisive.

(iii) The Lessons of China.

It is worth recalling that the Sino-Japanese war, which Government after Government in Tokyo has attempted to "resolve" without success, began as an "incident" and has continually been so treated in Japanese pronouncements.

In their new Pacific "incident" also the Japanese are calculating on a quick victory. But they have shown themselves in China to be better at starting wars than at finishing them.

(b) Singapore and Sea-Power.

(i) Defence of Singapore.

As soon as naval supremacy has been restored to the Allies in the South China Sea and Gulf of Siam a Japanese Army in the Malay Peninsula could be trapped by the closure of the bottleneck in the north. Meantime a further step in the encircling movement directed against Singapore has been taken by the Japanese landing in Sarawak.

There is no need to emphasise the vital importance of Singapore as a naval base both in relation to the Dutch East Indies and Australasia. Its defence against attack, both from sea and land, are strong and it will be held at all costs. A critical factor will be the strength of the British and Dutch fighter squadrons in dealing with Japanese bombers operating from aerodromes in North Malaya. A situation may well develop wherein the air defence of Singapore is principally conducted from aerodromes in Sumatra.

(ii) Naval Recovery.

While the central citadel of this vast archipelago stretching from the Philippines to Australia is being held against an enemy who has temporaily obtained the upper hand, the Pacific Fleet of the United States is at sea and seeking to join battle.

Undoubtedly the Japanese planned, by their attack on Pearl Harbour and the Pacific fuelling stations, to cripple that fleet to such an extent that it would have no option but to abandon the West Pacific, and retire to the American coast. Had they succeeded,

the situation in the Archipelago, especially after the blow struck at British capital ships, would have been dark indeed.

As it is, the key bases at Manila and Singapore are called on to hold out until American seapower reasserts itself, while Hongkong, in an almost impossible position, has already given an inspiring example of dogged defence.

The new attempt at mass invasion of Luzon by the Japanese means that the Philippines are now facing their big test. Not until Allied sea-power has been re-established in these waters can the arduous process begin of driving the enemy out of the positions he has seized.

(iii) Conclusion.

On a long-term view there are two facts, among others, of paramount importance.

First, Japanese military power is entirely dependent on her strength at sea.

Secondly, behind the American warships now in commission there are on the slipways 15 battleships, 11 aircraft carriers, 54 cruisers, 192 destroyers and 73 submarines, and the construction of many of these ships is well advanced.

At the moment we are facing the full force of the Japanese blitzkrieg, as Russia has faced and thrown back the full force of Hitler's biggest blow. But the ultimate issue, for all who are now joined together against the Axis, is not in doubt.

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CONFIDENTIAL

HUNDRED-FIFTY-SEVENTH BI-WEEKLY GUIDANCE NOTES ON THE WAR SITUATION, DATED DECEMBER 30, 1941.

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POLICY

1. German armies, promised complete victory in 1941, are now in retreat on two vital fronts. Keep stressing this, without under-rating German power to attempt further stroke.

2. Washington talks have made excellent progress. Use Washington, Moscow and Chungking to interlock Indian defence problems with world-wide strategy.

3. Stress sober confidence of Wavell in defence of Burma, which is important to India and her Chinese Allies. Japanese are not within effective bombing-range of India.

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1. GERMANY.

Hitler Faces Another Year.

(i) The Wehrmacht in Retreat.

The year 1941, which opened with Hitler's promise to complete "the greatest victory in our history", closes with the German armies in retreat on both the vital fronts where they are engaged.

AG

That is, briefly, the first of the three essential factors with which the Axis powers and their opponents throughout the world are reckoning at the turn of the year. It expresses a better position than the most sanguine prophet on the Allied side could have foreseen. But in fact British spokesmen made no forecasts of early success a year ago, and make none now.

When during September Hitler decided that for the sake of German morale at home and German prestige abroad, Moscow must fall, he overruled Brauchitsch, who is known to have advocated "stabilisation" of the Leningrad-Moscow front, and concentration on the Caucasus drive.

No less than 50 German divisions with enormous quantities of tanks, equipment and transport were thrown against Moscow for what was to be the final grand assault. Its outcome is now a matter of history.

When German propaganda suddenly began to talk of "stabilisation for the winter", it seemed probable that Hitler had reluctantly given way to pressure by Brauchitsch and the Army Command. Even though Moscow had not fallen (Hitler may have reasoned) Japan was in the war, and stabilisation would release large forces for compensating thrusts elsewhere. When however, a powerful Russian counter-offensive not only removed the bulges round Moscow but began to drive in the German line, it was evident that a new and potentially very dangerous situation was developing for the Germans.

Hitherto morale had remained high despite the intense suffering through lack of winter clothing and the appalling casualties -- and naturally so; for the long chain of sweeping victories had convinced the German Army of its invincibility, and the comfortable shelter of Moscow was very near. A final forward effort, and all would be well.

What can be borne in a last reaching-out for victory and rest is apt to become unendurable in retreat. Reports reaching London from a wide variety of sources all point to a serious decline in the morale of German troops in recent weeks as the result of precarious supplies, inadequate protection against the weather, epidemics including typhus, and slaughter without guns.

(ii) Hitler in Command.

It is at this critical moment for Germany and for all his plans that Hitler has staked everything on his sensational assumption of personal command of the army (see 155th Guidance Notes, Part I, para (c)(v)).

Certain facts lend some support to the theory that the conflict between army leaders and the Nazi party had reached a stage of tensity with the German reverses in Russia and Libya and the entry of the United States into the War. First, Hitler's proclamation was a direct appeal to the troops above the heads of the Generals. Secondly, SS troops were bracketed in the proclamation with the Army, but as a separate and distinct entity. Possibly, this was intended as a broad hint that Hitler possessed a powerful military organisation of his own sworn to defend the Nazi leader against opposition from any quarter.

(iii) What He Must Do.

We may be sure that Hitler's appeal to the blind belief in his infallibility which is still a powerful psychological factor, especially among the younger age-groups both civilian and military, will not go unanswered. What, then, must he do to produce the miracle expected of him?

First, he must stop the threatening rot on the Russian front by keeping his promise to the Army that they shall be asked to do nothing more than hang on by passive defence for the rest of the winter.

This in itself may prove no easy undertaking. The attempt to halt the Russian offensive by mobile counter-attacks has proved a costly failure which cannot safely be continued. The only alternative, therefore, would appear to be to fall back -- probably a considerable distance -- to prepared defences and resort to trench warfare. For such an operation to be successful, the Todt labour organisation, which accomplished herculean tasks on the Western Front and the Balkans, must have been able to construct fortified positions for many hundreds of miles in circumstances of unique difficulty. It is known that this organisation, like the Army itself, was unprepared for winter conditions. Moreover, the admitted German failure to feed their prisoners and the civilian population of the occupied areas will deprive them of invaluable labour. The German Army in Russia is still formidable, but its prospects of being able to hibernate in the snug dugouts and pill-boxes are not promising.

(iv) The Next Move.

Secondly, Hitler must provide spectacular triumphs in some other theatre of war. Rumour has been brisk with possibilities, but it is clear that Hitler's most urgent need is to turn the tables on the British in Libya.

Numerous squadrons of German bombers recently appeared in southern Italy and Sicily, as well as on Greek airfields, but the appearance in Tunisia of a German army to cross over to Tripoli will depend in the first instance on Hitler's ability to extricate sufficient divisions from the Russian conflict and to supplement them from the German garrisons in occupied countries; secondly, upon the complaisance of Marshal Petain and his Ministers; and thirdly upon his ability, with or without French help, to protect a sufficient proportion of his transports.

If the Vichy Government have not yet conceded the use of the French Fleet or bases to Germany, or if, for the present, the maintenance of "correct" relations with the United States is still envisaged at Vichy, as seems to be the case, it may be because the Germans have not yet insisted on the concessions or demanded a rupture with the United States. Though French politicians can hardly be blind to the implications of recent German reverses, nothing suggests that the Vichy Government would offer any more effective resistance to German blackmail on this occasion than with regard to the dismissal of General Weygand, despite the formal and public assurances of their determination to maintain the so-called neutrality of France.

The flight of Rommel with the remnants of his panzer divisions westward towards Tripoli may be due to the expectation of powerful reinforcements from across the Tunisian border. Certainly it means that Hitler is bound to act swiftly if British land and sea power are to be kept away from Tripoli.

Hitler's conceptions are nothing if not grandiose, and if he attempts a North African come-back we must expect it to be on a grand scale, involving occupation of the Atlantic ports of French North Africa and possibly also invasion of the Iberian peninsula.

Hitler has now played all the cards in his hand except the last one of doubtful value -- invasion of Spain. The fact that he has had to play them so soon is a measure of the weakness behind his imposing facade of victories.

2. THE WORLD AGAINST THE AXIS.

(a) The Great Transformation.

The second of the three new factors marking the turn of the year is the formation of a world-confederacy against the Axis.

The anti-Axis front is now in its fourth phase. Until June 1940, it revolved round the Anglo-French alliance. During the second phase Britain with a group of exiled governments, surrounded in varying degrees by aid, sympathy, jealousy and suspicion, stood alone against Germany and a Nazi-dominated Europe. The third phase, from June 1941, was marked by the joint Russo-British stand with growing American aid in the background. The fourth phase has now begun with the Japanese aggression in the Far East and the Axis assault upon America. The transformation is complete. A year ago Britain stood alone and the question was, could she hold out for all her tenacity and fortitude? Today it is Germany and her dupes who are defying a world made hostile and resolute by their crimes and blunders. The question now is, how long can she continue to defy the mounting resources of an outraged world.

(b) Global Alliance.

The sign and symbol of this great change is in the allied conferences now taking place in Washington, Moscow and Chungking. The anti-Axis front is becoming a world confederacy with a speed which testifies to the resolution and confidence of the Allies. Compared with the difficulties attending previous moves towards co-operation against Nazidom, the ease and speed of the present co-operation recalls that with which the forth (and successful) Coalition against Napoleon was formed compared to the laboured and insincere diplomacy which produced the second and third.

(c) Interlocking Plans and Interests.

A glance at the personalities attending the conferences shows how they interlock and embrace every segment of the globe. At Washington, besides Mr. Churchill and President Roosevelt, M. Litvinov for Russia, Dr. Hu Hsi for China, Mr. Mackenzie King for Canada, and the Australian Minister, have all taken part. Mr. Curtin, Prime Minister of Australia, is in touch by cable. In Moscow Mr. Eden and M. Stalin have conferred with Chinese and Middle Eastern representatives. In Chungking Marshal Chiang Kai-shek, besides seeing General Wavell, has conferred with the American General Brett. India's position as an essential link in the allied chain has been recognised by the assignment of Burma in the east to General Wavell's control, which already extends to the forces in Iraq and Iran in the West.

(d) The Beginning of United Action.

Magical results cannot be expected from these conferences, but the first shoots of the seeds being sown have already appeared above ground. American fighters have helped in the defence of Rangoon; Indian troops are in the Caucasus; the Chinese relieved pressure on Hongkong and so prolonged its defence; the Dutch sent aid to Malaya; the British are maintaining their promised aid to Russia; Russia herself is hammering the Germans relentlessly in deep mid-winter.

Unified production and control is the prelude to unified action; unified action is the prelude to the grand finale of victory.

3. THE FAR EAST.

(a) Germany, Russia and Japan.

It is by no means certain that Japan has played her hand in the way that Hitler would have wished. If, as is reliably reported, the U.S. Government has information that Japan has promised Germany to attack Russia at the most convenient moment, that moment from the German viewpoint would appear to be now. Japan, however, although prepared for an attack in the North, is so deeply committed in her southern adventure that she may prefer to wait before challenging the still powerful Russian Army and Air Force in the Far East.

While she waits, much may happen to increase her difficulties. Meanwhile the greatest service that Russia can render the common cause is to hammer the withdrawing German armies in the West.

(b) Hongkong and the Philippines.

Hongkong has fallen after a defence whose effects, like the effects of the defence of Calais and of Crete, will be seen to be worth the gallantry displayed in an untenable position.

The relief of Hongkong by sea was impossible in the circumstances of the temporary damage suffered by British and American sea-power in far Eastern waters. Its relief by land was one of the purposes of the Chinese advance in the Canton area; but lack of water, against which no human being can contend, won the race.

The Japanese greatly under-estimated the powers of resistance of the small Hongkong garrison, and in effecting its capture have not only lost sixteen days time, lives and material and prestige, but have also had to yield ground on the mainland to the Chinese.

In Hongkong the Allied holding action is over for the time being. In Singapore there are good grounds for expecting that it can be continued as long as will be necessary. Against the Philippines, where the holding action is still being brilliantly maintained, the Japanese are flinging, in their brief interval of comparative transport security, wave after wave of invasion, while at the same time adopting the familiar Axis barbarism of terror-tactics against civilian populations.

(c) Air-Power.

Though it is not yet possible to give a clear picture of comparative air strengths and positions in the vast far Eastern theatre, it is apparent that wherever Allied forces have found themselves at a disadvantage it has been in large part due to disparity in the air.

For this difficulty which, though temporary, is undoubtedly serious, the general explanation was summed up by Mr. Churchill in his words to the U.S. Senate on December 26.

"If people ask me, as they have a right to ask me in England -- why is it that you have not got an ample equipment of modern aircraft, and army equipment of all kinds in Malaya and in the East Indies? -- I can only point to the victory General Auchinleck has gained in the Libyan campaign. Had we diverted and dispersed our gradually growing resources between Libya and Malaya, we should have been found wanting in both theatres."

In other words, general air parity with the Axis powers is not enough so long as the enemy, enjoying the advantage of interior lines, can concentrate virtually the whole of his air-power against a given objective. By building up our air resources in the Middle East to a point where the Western Desert campaign could be successfully undertaken while other Middle Eastern areas were defended we have made Hitler divert, without avail, some of his air strength from Europe. But to do this we have ourselves had to divert potential air strength from the Far East. The balance of risk had to be met, and nothing has so far occurred to suggest faulty judgment in the manner of its balancing.

Evidence of increased Allied fighter activity in the East Indies; offensive action against Japanese air-bases; and the exceedingly encouraging performance in the Christmas Day raid over Rangoon, when the R.A.F., ably helped by volunteer American pilots whose job was to defend China and its lifeline, shot down over 20 of the raiding bombers and fighters: all these point forward to the not too distant time when the Allies in effective mobilisation will be able to dispute the initiative in the air which the Japanese have seized by treachery and surprise.

(d) Lessons of Rangoon.

News of the appointment of Lieutenant General Hutton, C.G.S. in India, to be G.O.C. in Burma, and of General Wavell's assumption of responsibility to His Majesty's Government for the defence of Burma, has coincided with fresh information of the two Japanese air-raids on Rangoon.

The following important points emerge:

(i) The Japanese raiding forces consisted of bombers and fighters operating at long range. While the bombers may have come from bases 600 miles away in Indo-China, the effective range of fighter escorts is probably not more than 300 miles, suggesting the use of new bases in Thailand.

Calcutta is another 600 miles from Rangoon and no raid of the kind on Indian towns is practicable unless Japan can secure much nearer bases. Unaccompanied long-range night raids, however, might be tried by the enemy in the hope of damaging civilian morale.

(ii) In their second raid the Japanese met what was perhaps the first effective air-resistance in their long career of bombing defenceless populations.

(iii) No military damage of importance was achieved by the enemy, and the civilian casualties in the first raid were largely due to the fact that people remained in the streets to view the air-battle instead of taking cover.

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